

State of Arizona  
House of Representatives  
Fifty-first Legislature  
Second Regular Session  
2014

# HOUSE BILL 2389

## AN ACT

AMENDING SECTIONS 35-142, 41-132 AND 42-1125, ARIZONA REVISED STATUTES; AMENDING SECTION 42-2003, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, FIRST SPECIAL SESSION, CHAPTER 9, SECTION 3 AND LAWS 2013, FIRST REGULAR SESSION, CHAPTER 40, SECTION 2, CHAPTER 114, SECTION 6 AND CHAPTER 222, SECTION 3; AMENDING SECTION 42-2003, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 255, SECTION 2; AMENDING SECTION 42-2075, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 255, SECTION 4; AMENDING SECTION 42-5005, ARIZONA REVISED STATUTES; AMENDING SECTION 42-5009, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 40, SECTION 3; REPEALING SECTION 42-5009, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 255, SECTION 5; AMENDING SECTION 42-5014, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 255, SECTION 7; AMENDING SECTION 42-5015, ARIZONA REVISED STATUTES; AMENDING SECTION 42-5075, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, FIRST REGULAR SESSION, CHAPTER 153, SECTION 1 AND LAWS 2013, FIRST SPECIAL SESSION, CHAPTER 9, SECTION 6; REPEALING SECTION 42-5075, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 255, SECTION 15; AMENDING SECTION 42-6001, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 255, SECTION 18; AMENDING SECTION 42-6002, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 255, SECTION 19; AMENDING SECTION 42-6004, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, FIRST REGULAR SESSION, CHAPTER 27, SECTION 2, CHAPTER 120, SECTION 2, CHAPTER 153, SECTION 2 AND CHAPTER 236, SECTION 6 AND LAWS 2013, FIRST SPECIAL SESSION, CHAPTER 9, SECTION 8; REPEALING SECTION 42-6004, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 255, SECTION 20; REPEALING SECTION 42-6009, ARIZONA REVISED STATUTES; AMENDING SECTION 42-6056, ARIZONA REVISED STATUTES; RELATING TO TRANSACTION PRIVILEGE TAX; PROVIDING FOR CONDITIONAL REPEAL.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:  
2 Section 1. Section 35-142, Arizona Revised Statutes, is amended to  
3 read:  
4 35-142. Monies kept in funds separate from state general fund;  
5 receipt and withdrawal  
6 A. All monies received for and belonging to the state shall be  
7 deposited in the state treasury and credited to the state general fund except  
8 the following, which shall be placed and retained in separate funds:  
9 1. The unexpendable principal of monies received from federal land  
10 grants shall be placed in separate funds and the account of each such  
11 separate fund shall bear a title indicating the source and the institution or  
12 purpose to which such fund belongs.  
13 2. The interest, rentals and other expendable money received as income  
14 from federal land grants shall be placed in separate accounts, each account  
15 bearing a title indicating the source and the institution or purpose to which  
16 the fund belongs. Such expendable monies shall be expended only as  
17 authorized, regulated and controlled by the general appropriation act or  
18 other act of the legislature.  
19 3. All private or quasi-private monies authorized by law to be paid to  
20 or held by the state treasurer shall be placed in separate accounts, each  
21 account bearing a title indicating the source and purpose of such fund.  
22 4. All monies legally pledged to retirement of building indebtedness  
23 or bonds issued by those institutions authorized to incur such indebtedness  
24 or to issue such bonds shall be placed in separate accounts.  
25 5. Monies of a multi-county water conservation district authorized by  
26 law to be paid to or held by the state treasurer shall be placed in separate  
27 accounts, each account bearing a title indicating the source and purpose of  
28 such fund.  
29 6. All monies collected by the Arizona game and fish department shall  
30 be deposited in a special fund known as the state game and fish protection  
31 fund for the use of the Arizona game and fish commission in carrying out the  
32 provisions of title 17.  
33 7. All federal monies that are received by the department of economic  
34 security for family assistance benefits and medical eligibility as a result  
35 of efficiencies developed by the department of economic security and that  
36 would otherwise revert to the state general fund pursuant to section 35-190  
37 shall be retained for use by the department of economic security in  
38 accordance with the terms and conditions imposed by the federal funding  
39 source in an account or accounts established or authorized by the state  
40 treasurer.  
41 8. Monies designated by law as special state funds shall not be  
42 considered a part of the general fund. Unless otherwise prescribed by law,  
43 the state treasurer shall be the custodian of all such funds.

1           9. All monies received and any accounts established and maintained by  
2 the director of the Arizona state retirement system or the administrator of  
3 the public safety personnel retirement system, the corrections officer  
4 retirement plan and the elected officials' retirement plan.

5           10. Monies received by a state agency or institution as a gift, devise  
6 or donation shall not be considered a part of the state general fund or  
7 transferred to the state general fund unless the gift, devise or donation  
8 specifically authorizes a general state use for the monies. A state agency  
9 or institution that receives a monetary gift, devise or donation shall  
10 account for those monies separately.

11           B. No money shall be received or held by the state treasurer except as  
12 authorized by law, and in every instance the treasurer shall issue a receipt  
13 for money received and shall record the transaction in the statewide  
14 accounting system. No money shall be withdrawn from the treasury except on  
15 the warrant or electronic funds transfer voucher of the department of  
16 administration.

17           C. Monies received for and belonging to the state and resulting from  
18 compromises or settlements by or against this state, excluding restitution  
19 and reimbursement to state agencies for costs or attorney fees, shall be  
20 credited to the state general fund unless specifically credited to another  
21 fund by law. A fund consisting of monies other than monies received for  
22 restitution, costs or attorney fees shall not be established on the basis of  
23 a court order without prior legislative authorization. For the purposes of  
24 this subsection, "restitution" means monies intended to compensate a  
25 specific, identifiable person, including this state, for economic loss.

26           D. All federal monies granted and paid to the state by the federal  
27 government shall be accounted for in the accounts or funds of the state in  
28 the necessary detail to meet federal and state accounting, budgetary and  
29 auditing requirements, and all appropriations for matching such federal  
30 monies shall be transferred from the general fund to such separate funds as  
31 needed, except as otherwise required by the federal government.

32           E. Nothing in this section requires the establishment of separate  
33 accounts or funds for such federal monies unless otherwise required by  
34 federal or state law. The department of administration has the authority to  
35 use the most efficient system of accounts and records, consistent with legal  
36 requirements and standard and necessary fiscal safeguards.

37           F. Nothing in this section precludes the creation by the department of  
38 administration of a clearing account or other acceptable accounting method to  
39 effect prompt payment of claims from an approved budget or appropriation.  
40 The department of administration shall report each account or fund  
41 established or cancelled to the directors of the joint legislative budget  
42 committee and the governor's office of strategic planning and budgeting.

43           G. Nothing in this section or any other section precludes the use of  
44 monies kept in funds separate from the general fund, the interest from which  
45 accrues to the general fund, for payment of claims against the general fund,

1 provided sufficient monies remain available for payment of claims against  
2 such funds.

3 H. The department of administration may issue warrants for qualified  
4 expenditures of federal program monies before they are deposited in the state  
5 treasury. The receipt of federal monies shall be timed to coincide, as  
6 closely as administratively feasible, with the redemption of warrants by the  
7 state treasurer. The department of administration shall limit expenditures  
8 to the amount that has been made available for the use under the grant award  
9 by the federal government. The state agency initiating the expenditures is  
10 responsible for ensuring that expenditures qualify for coverage under the  
11 guidelines of the federal grant award.

12 I. The department of administration shall establish the policies and  
13 procedures for all state agencies for drawing federal monies. When the  
14 established method results in federal monies being held by this state, the  
15 department of administration may use the interest earned on the monies to pay  
16 the federal government for any related interest liability. If an interest  
17 liability is incurred due to a state agency varying from the established  
18 policies and procedures, the department of administration shall charge the  
19 appropriate agency account or fund. Any federal interest liability owed to  
20 this state as a result of the delayed federal disbursements shall be used to  
21 offset this state's interest liability to the federal government. Any  
22 remaining interest earnings shall be deposited in the state general fund.

23 J. Any state agency or authorized agent of a state agency may accept  
24 credit cards pursuant to an agreement entered into by the state treasurer  
25 pursuant to section 35-315 for the payment of any amount due to that agency  
26 or agent or this state.

27 K. Except for the department of revenue ~~for tax payments~~, agencies or  
28 authorized agents on behalf of state agencies that accept credit cards shall  
29 deduct any applicable discount fee and processing fee associated with the  
30 transaction amount before depositing the net amount in the appropriate state  
31 fund. No other reduction is permitted against the transaction amount. The  
32 net amount deposited in the appropriate state fund shall be considered as the  
33 full deposit required by law of monies received by the agency or the  
34 authorized agent. Payment of any applicable discount fee and processing fee  
35 shall be accounted for in the annual report submitted to the governor's  
36 office of strategic planning and budgeting in accordance with section  
37 41-1273. The transaction amount of any credit card transaction shall not be  
38 reduced by any discount fee or processing fee in an amount in excess of the  
39 merchant card settlement fees reflected in the state banking contract with  
40 the state treasurer's office.

41 L. Any state agency that contracts with an authorized agent for the  
42 electronic processing of transactions pursuant to title 41, chapter 23 may  
43 include a provision in the contract to allow the authorized agent to impose a  
44 convenience fee. If allowed, the convenience fee shall be charged to the  
45 cardholder in addition to the transaction amount, except for the following:

1           1. Except as provided in subsection S of this section, any permits,  
2 licenses or other authorizations needed to pursue a trade or occupation in  
3 this state.

4           2. Except as provided in subsection S of this section, any permits,  
5 licenses or other authorizations needed to establish, expand or operate a  
6 business in this state.

7           3. Except as provided in subsection S of this section, any permits,  
8 licenses or other authorizations needed to register a vehicle or license a  
9 driver in this state.

10          M. Each state agency or its authorized agent shall:

11           1. Deduct the amount of the convenience fee before depositing the  
12 transaction amount or the transaction amount reduced by the discount fee or  
13 the processing fee, or both, into the appropriate state fund.

14           2. Not deduct any part of the convenience fee from the transaction  
15 amount before depositing the net amount into the appropriate state fund.

16           3. Deduct the amount of the discount fee or the processing fee, or  
17 both, from the transaction amount before depositing the net amount into the  
18 appropriate state fund.

19          N. The net amount deposited in the appropriate state fund pursuant to  
20 subsection L or M of this section shall be considered as the full deposit of  
21 monies that is required by law and that is received by the agency.

22          O. Notwithstanding section 35-142.01, convenience fees received by a  
23 state agency or its authorized agent are limited to, and may be used to  
24 offset, the costs imposed by the authorized agent in processing the  
25 transactions.

26          P. When the percentage of electronic transactions first exceeds at  
27 least thirty per cent of a state agency's total transactions, the state  
28 agency shall perform a cost benefit report, including costs of convenience  
29 fees, the amount of revenue generated and any realized cost savings.

30          Q. State agencies shall report the number of transactions, the number  
31 of electronic transactions, the total dollar amount of transactions  
32 processed, the total dollar amount of any discount fee, the total dollar  
33 amount of any processing fee and the total dollar amount of any convenience  
34 fee charged, deducted or paid pursuant to subsections K and L of this section  
35 annually by October 1 to the governor, the department of administration and  
36 the joint legislative budget committee.

37          R. Nothing in this section or any other provision of law authorizes  
38 any state agency, authorized agent of any state agency or budget unit to  
39 establish a bank account for any government monies. All monies received by  
40 or on behalf of this state shall be deposited with and in the custody of the  
41 state treasurer or in an account that is authorized by the state treasurer  
42 pursuant to this section. This subsection does not apply to monies received  
43 and any accounts established and maintained by the director of the Arizona  
44 state retirement system or the administrator of the public safety personnel

1 retirement system, the corrections officer retirement plan and the elected  
2 officials' retirement plan.

3 S. If a state agency provides an alternative method of payment, the  
4 convenience fee may be charged to the cardholder in addition to the  
5 transaction amount.

6 Sec. 2. Section 41-132, Arizona Revised Statutes, is amended to read:

7 41-132. Electronic and digital signatures; exemptions;  
8 definitions

9 A. Unless otherwise provided by law, an electronic signature that  
10 complies with this section may be used to sign a writing on a document that  
11 is filed with or by a state agency, board or commission, and the electronic  
12 signature has the same force and effect as a written signature.

13 B. An electronic signature shall be unique to the person using it,  
14 shall be capable of reliable verification and shall be linked to a record in  
15 a manner so that if the record is changed the electronic signature is  
16 invalidated.

17 C. EXCEPT FOR RETURNS, STATEMENTS OR OTHER DOCUMENTS FILED PURSUANT TO  
18 TITLES 42 AND 43, a document that contains an electronic signature that is a  
19 digital signature shall comply with all of the following:

20 1. Contain a computer-based certificate that identifies the issuing  
21 entity and the subscriber, contain the subscriber's public key and be  
22 digitally signed by the issuing entity. A valid subscriber to a digitally  
23 signed document shall be listed in the certificate, shall accept the  
24 certificate and lawfully holds the private key that corresponds to the public  
25 key that is listed in that certificate. A person who acquires a private key  
26 through theft, fraud, deceit, eavesdropping or other unlawful means does not  
27 lawfully hold the private key.

28 2. Contain a key pair used for verifying a digital signature that has  
29 a unique property so that the public key can verify the digital signature  
30 that the private key creates.

31 3. Be capable of verification by the person having the initial message  
32 and the signer's public key as follows:

33 (a) The person can accurately determine whether the transformation of  
34 the message was created by using the private key that corresponds to the  
35 signer's key.

36 (b) The person can accurately determine whether the initial message  
37 has been altered since the transformation was made.

38 D. The following records are not public records and are exempt from  
39 public inspection and reproduction pursuant to title 39, chapter 1,  
40 article 2:

41 1. Records containing information that would disclose or may  
42 reasonably lead to the disclosure of any component in the process used to  
43 execute or adopt an electronic or digital signature if the disclosure would  
44 or may reasonably cause the loss of sole control over the electronic or  
45 digital signature from the person using it.

1           2. Records that if disclosed would **JEOPARDIZE** or may reasonably lead  
2 to jeopardizing the security of a certificate issued in conjunction with a  
3 digital signature.

4           E. ~~It~~ **FOR THE PURPOSES OF** this section, unless the context otherwise  
5 requires:

6           1. "Asymmetric cryptosystem" means an algorithm or series of  
7 algorithms that provide a secure key pair for a digital signature.

8           2. "Certificate" means a computer-based record that is contained in a  
9 document with a digital signature and that identifies the subscriber,  
10 contains the subscriber's public key and is digitally signed by the entity  
11 issuing the certificate.

12           3. "Digital signature" means a type of electronic signature that  
13 transforms a message through the use of an asymmetric cryptosystem.

14           4. "Electronic signature" means an electronic or digital method of  
15 identification that is executed or adopted by a person with the intent to be  
16 bound by or to authenticate a record.

17           5. "Entity issuing a certificate" means a person who creates and  
18 issues a certificate and notifies the subscriber listed in the certificate of  
19 the contents of the certificate.

20           6. "Key pair" means a private key and its corresponding public key in  
21 an asymmetric cryptosystem.

22           7. "Person" means a human being or an organization capable of signing  
23 a document, either legally or as a matter of fact.

24           8. "Private key" means the key of a key pair that is used to create a  
25 digital signature.

26           9. "Public key" means the key of a key pair that is used to verify a  
27 digital signature.

28           10. "Record" means information that is inscribed in a tangible medium  
29 or that is stored in an electronic or other medium and that is retrievable in  
30 a physically perceivable form. Record includes electronic records and  
31 printed, typewritten and tangible records.

32           11. "Subscriber" means a person who is the subject listed in a  
33 certificate, accepts that certificate and holds a private key that  
34 corresponds to a public key listed in that certificate.

35           12. "Transform" or "transform a message" means to subject data in a  
36 message to a mathematical change by electronic means.

37           Sec. 3. Section 42-1125, Arizona Revised Statutes, is amended to read:  
38 **42-1125. Civil penalties; definition**

39           A. If a taxpayer fails to make and file a return for a tax  
40 administered pursuant to this article on or before the due date of the return  
41 or the due date as extended by the department, unless it is shown that the  
42 failure is due to reasonable cause and not due to wilful neglect, four and  
43 one-half per cent of the tax required to be shown on such return shall be  
44 added to the tax for each month or fraction of a month elapsing between the  
45 due date of the return and the date on which it is filed. The total penalty

1 shall not exceed twenty-five per cent of the tax found to be remaining due.  
2 The penalty so added to the tax is due and payable on notice and demand from  
3 the department. For the purpose of computing the penalty imposed under this  
4 subsection, the amount required to be shown as tax on a return shall be  
5 reduced by the amount of any part of the tax which is paid on or before the  
6 beginning of such month and by the amount of any credit against the tax which  
7 may be claimed on the return. If the amount required to be shown as tax on a  
8 return is less than the amount shown as tax on such return, the penalty  
9 described in this subsection shall be applied by substituting such lower  
10 amount.

11 B. If a taxpayer fails or refuses to file a return on notice and  
12 demand by the department, the taxpayer shall pay a penalty of twenty-five per  
13 cent of the tax, which is due and payable on notice and demand by the  
14 department, in addition to any penalty prescribed by subsection A of this  
15 section, unless it is shown that the failure is due to reasonable cause and  
16 not due to wilful neglect. This penalty is payable on notice and demand from  
17 the department.

18 C. If a taxpayer fails or refuses to furnish any information requested  
19 in writing by the department, the department may add a penalty of twenty-five  
20 per cent of the amount of any deficiency tax assessed by the department  
21 concerning the assessment of which the information was required, unless it is  
22 shown that the failure is due to reasonable cause and not due to wilful  
23 neglect.

24 D. If a person fails to pay the amount shown as tax on any return  
25 within the time prescribed, a penalty of one-half of one per cent, not to  
26 exceed a total of ten per cent, shall be added to the amount shown as tax for  
27 each month or fraction of a month during which the failure continues, unless  
28 it is shown that the failure is due to reasonable cause and not due to wilful  
29 neglect. If the department determines that the person's failure to pay was  
30 due to reasonable cause and not due to wilful neglect and that a payment  
31 agreement pursuant to section 42-2057 is appropriate, the department shall  
32 not impose the penalty unless the taxpayer fails to comply with the payment  
33 agreement. If the taxpayer is also subject to a penalty under subsection A  
34 of this section for the same tax period, the total penalties under subsection  
35 A of this section and this subsection shall not exceed twenty-five per cent.  
36 For the purpose of computing the penalty imposed under this subsection:

37 1. The amount shown as tax on a return shall be reduced by the amount  
38 of any part of the tax that is paid on or before the beginning of that month  
39 and by the amount of any credit against the tax that may be claimed on the  
40 return.

41 2. If the amount shown as tax on a return is greater than the amount  
42 required to be shown as tax on that return, the penalty shall be applied by  
43 substituting the lower amount.



1 E. If a person fails to pay any amount required to be shown on any  
2 return that is not so shown within twenty-one calendar days after the date of  
3 notice and demand, a penalty of one-half of one per cent, not to exceed a  
4 total of ten per cent, shall be added to the amount of tax for each month or  
5 fraction of a month during which the failure continues, unless it is shown  
6 that the failure is due to reasonable cause and not due to wilful neglect.  
7 If the taxpayer is also subject to penalty under subsection A of this section  
8 for the same tax period, the total penalties under subsection A of this  
9 section and this subsection shall not exceed twenty-five per cent. For the  
10 purpose of computing the penalty imposed under this subsection, any amount  
11 required to be shown on any return shall be reduced by the amount of any part  
12 of the tax that is paid on or before the beginning of that month and by the  
13 amount of any credit against the tax that may be claimed on the return.

14 F. In the case of a deficiency, for which a determination is made of  
15 an additional amount due, which is due to negligence but without intent to  
16 defraud, the person shall pay a penalty of ten per cent of the amount of the  
17 deficiency.

18 G. If part of a deficiency is due to fraud with intent to evade tax,  
19 fifty per cent of the total amount of the tax, in addition to the deficiency,  
20 interest and other penalties provided in this section, shall be assessed,  
21 collected and paid as if it were a deficiency.

22 H. If the amount, whether determined by the department or the  
23 taxpayer, required to be withheld by the employer pursuant to title 43,  
24 chapter 4 is not paid to the department on or before the date prescribed for  
25 its remittance, the department may add a penalty of twenty-five per cent of  
26 the amount required to be withheld and paid, unless it is shown that the  
27 failure is due to reasonable cause and not due to wilful neglect.

28 I. A person who, with or without intent to evade any requirement of  
29 this article or any lawful administrative rule of the department of revenue  
30 under this article, fails to file a return or to supply information required  
31 under this article or who, with or without such intent, makes, prepares,  
32 renders, signs or verifies a false or fraudulent return or statement or  
33 supplies false or fraudulent information shall pay a penalty of not more than  
34 one thousand dollars. This penalty shall be recovered by the department of  
35 law in the name of this state by an action in any court of competent  
36 jurisdiction.

37 J. If the taxpayer files what purports to be a return of any tax  
38 administered pursuant to this article but that is frivolous or that is made  
39 with the intent to delay or impede the administration of the tax laws, that  
40 person shall pay a penalty of five hundred dollars.

41 K. If a taxpayer who is required to file or provide an information  
42 return under this title or title 43 fails to file the return at the  
43 prescribed time or files a return that fails to show the information  
44 required, that taxpayer shall pay a penalty of one hundred dollars for each  
45 month or fraction of a month during which the failure continues unless it is

1 shown that the failure is due to reasonable cause and not due to wilful  
2 neglect. The total penalties under this subsection shall not exceed five  
3 hundred dollars.

4 L. If it appears to the superior court that proceedings before it have  
5 been instituted or maintained by a taxpayer primarily for delay or that the  
6 taxpayer's position is frivolous or groundless, the court may award damages  
7 in an amount not to exceed one thousand dollars to this state. Damages so  
8 awarded shall be collected as a part of the tax.

9 M. A person who is required under section 43-413 to furnish a  
10 statement to an employee and who wilfully furnishes a false or fraudulent  
11 statement, or who wilfully fails to furnish a statement required by section  
12 43-413, is for each such failure subject to a penalty of fifty dollars.

13 N. A person who is required to collect or truthfully account for and  
14 pay a tax administered pursuant to this article, including any luxury  
15 privilege tax, and who wilfully fails to collect the tax or truthfully  
16 account for and pay the tax, or wilfully attempts in any manner to evade or  
17 defeat the tax or its payment, is, in addition to other penalties provided by  
18 law, liable for a penalty equal to the total amount of the tax evaded, not  
19 collected or not accounted for and paid. Except as provided in subsections  
20 ~~T~~, U, V and ~~V~~ W of this section, no other penalty under this section  
21 relating to failure to pay tax may be imposed for any offense to which this  
22 subsection applies.

23 O. For reporting periods beginning from and after February 28, 2011,  
24 if a taxpayer who is required under section 42-1129 to make payment by  
25 electronic funds transfer fails to do so, that taxpayer shall pay a penalty  
26 of five per cent of the amount of the payment not made by electronic funds  
27 transfer unless it is shown that the failure is due to reasonable cause and  
28 not due to wilful neglect.

29 P. Unless due to reasonable cause and not to wilful neglect:

30 1. A person who fails to provide that person's taxpayer identification  
31 number in any return, statement or other document as required by section  
32 42-1105, subsection A shall pay a penalty of five dollars for each such  
33 failure.

34 2. A person, when filing any return, statement or other document for  
35 compensation on behalf of a taxpayer, who fails to include that person's own  
36 taxpayer identification number and the taxpayer's identification number shall  
37 pay a penalty of fifty dollars for each such failure.

38 3. A person, when filing any return, statement or other document  
39 without compensation on behalf of a taxpayer, who fails to include that  
40 person's own taxpayer identification number and the taxpayer's identification  
41 number is not subject to a penalty.

42 No other penalty under this section may be imposed if the only violation is  
43 failure to provide taxpayer identification numbers.

44 Q. If a taxpayer fails to pay the full amount of estimated tax  
45 required by title 43, chapter 5, article 6, a penalty is assessed equal to

1 the amount of interest that would otherwise accrue under section 42-1123 on  
2 the amount not paid for the period of nonpayment, not exceeding ten per cent  
3 of the amount not paid. The penalty prescribed by this subsection is in lieu  
4 of any other penalty otherwise prescribed by this section and in lieu of  
5 interest prescribed by section 42-1123.

6 ~~R.~~ **R.** BEGINNING JANUARY 1, 2015, IF A TAXPAYER CONTINUES IN BUSINESS  
7 WITHOUT TIMELY RENEWING A MUNICIPAL PRIVILEGE TAX LICENSE AS PRESCRIBED IN  
8 SECTION 42-5005, SUBSECTION D, A CIVIL PENALTY OF UP TO TWENTY-FIVE DOLLARS  
9 SHALL BE ADDED TO THE RENEWAL FEE FOR EACH JURISDICTION.

10 ~~R.~~ **S.** The department of law, with the consent of the department of  
11 revenue, may compromise any penalty for which it may bring an action under  
12 this section.

13 ~~S.~~ **T.** Penalties shall not be assessed under subsection D of this  
14 section on additional amounts of tax paid by a taxpayer at the time the  
15 taxpayer voluntarily files an amended return. This subsection does not apply  
16 if:

17 1. The taxpayer is under audit by the department.

18 2. The amended return was filed on demand or request by the  
19 department.

20 3. The total additional tax paid and due for the tax period represents  
21 a substantial understatement of tax liability. For the purposes of this  
22 paragraph, there is a substantial understatement of tax for any tax period if  
23 the amount of the understatement for the tax period exceeds the greater of  
24 ten per cent of the actual tax liability for the tax period or two thousand  
25 dollars.

26 ~~T.~~ **U.** In addition to other penalties provided by law, a person who  
27 knowingly and intentionally does not comply with any requirement under  
28 chapter 3, article 5 of this title relating to cigarettes shall pay a penalty  
29 of one thousand dollars. A person who knowingly and intentionally does not  
30 pay any luxury tax that relates to cigarettes imposed by chapter 3 of this  
31 title shall pay a penalty that is equal to ten per cent of the amount of the  
32 unpaid tax.

33 ~~U.~~ **V.** A cigarette manufacturer, cigarette importer or cigarette  
34 distributor, as defined in section 42-3001, who knowingly and intentionally  
35 sells or possesses cigarettes with false manufacturing labels or cigarettes  
36 with counterfeit tax stamps, or who obtains cigarettes through the use of a  
37 counterfeit license, shall pay the following penalties:

38 1. For a first violation involving two thousand or more cigarettes,  
39 one thousand dollars.

40 2. For a subsequent violation involving two thousand or more  
41 cigarettes, five thousand dollars.

42 ~~V.~~ **W.** The civil penalties in this section are in addition to any  
43 civil penalty under chapter 3, article 5 of this title.

1           ~~W.~~ X. For the purposes of this section, and only as applied to the  
2 taxes imposed by chapter 5, articles 1 through 6 and chapter 6, articles 1, 2  
3 and 3 of this title, "reasonable cause" means a reasonable basis for the  
4 taxpayer to believe that the tax did not apply to the business activity or  
5 the storage, use or consumption of the taxpayer's tangible personal property  
6 in this state.

7           Sec. 4. Section 42-2003, Arizona Revised Statutes, as amended by Laws  
8 2013, first special session, chapter 9, section 3 and Laws 2013, first  
9 regular session, chapter 40, section 2, chapter 114, section 6 and chapter  
10 222, section 3, is amended to read:

11           42-2003. Authorized disclosure of confidential information

12           A. Confidential information relating to:

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

17           2. A corporate taxpayer may be disclosed to any principal officer, any  
18 person designated by a principal officer or any person designated in a  
19 resolution by the corporate board of directors or other similar governing  
20 body.

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

24           4. An estate may be disclosed to the personal representative of the  
25 estate and to any heir, next of kin or beneficiary under the will of the  
26 decedent if the department finds that the heir, next of kin or beneficiary  
27 has a material interest which will be affected by the confidential  
28 information.

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

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

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

38           B. Confidential information may be disclosed to:

39           1. Any employee of the department whose official duties involve tax  
40 administration.

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

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

7           4. Other state tax officials whose official duties require the  
8 disclosure for proper tax administration purposes if the information is  
9 sought in connection with an investigation or any other proceeding conducted  
10 by the official. Any disclosure is limited to information of a taxpayer who  
11 is being investigated or who is a party to a proceeding conducted by the  
12 official.

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

18           (a) The United States internal revenue service, alcohol and tobacco  
19 tax and trade bureau of the United States treasury, United States bureau of  
20 alcohol, tobacco, firearms and explosives of the United States department of  
21 justice, United States drug enforcement agency and federal bureau of  
22 investigation.

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

24           (c) An organization of states, federation of tax administrators or  
25 multistate tax commission that operates an information exchange for tax  
26 administration purposes.

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

30           (e) An agency, official or organization of an Indian tribal government  
31 with responsibilities comparable to the responsibilities of the agencies,  
32 officials or organizations identified in subdivision (a), (b) or (c) of this  
33 paragraph.

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

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

38           (a) The processing, storage, transmission, destruction and  
39 reproduction of the information.

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

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

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

1 (a) Regarding income tax or withholding tax.

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

4 9. The United States treasury inspector general for tax administration  
5 for the purpose of reporting a violation of internal revenue code section  
6 7213A (26 United States Code section 7213A), unauthorized inspection of  
7 returns or return information.

8 10. The financial management service of the United States treasury  
9 department for use in the treasury offset program.

10 11. The United States treasury department or its authorized agent for  
11 use in the state income tax levy program and in the electronic federal tax  
12 payment system.

13 12. The Arizona commerce authority for its use in:

14 (a) Qualifying renewable energy operations for the tax incentives  
15 under sections 42-12006, 43-1083.01 and 43-1164.01.

16 (b) Qualifying businesses with a qualified facility for income tax  
17 credits under sections 43-1083.03 and 43-1164.04.

18 (c) Fulfilling its annual reporting responsibility pursuant to section  
19 41-1511, subsections U and V and section 41-1512, subsections U and V.

20 (d) Certifying computer data centers for tax relief under section  
21 41-1519.

22 13. A prosecutor for purposes of section 32-1164, subsection C.

23 14. The state fire marshal for use in determining compliance with and  
24 enforcing title 41, chapter 16, article 3.1.

25 15. The department of transportation for its use in administering  
26 taxes, surcharges and penalties prescribed by title 28.

27 16. The Arizona health care cost containment system administration for  
28 its use in administering nursing facility provider assessments.

29 C. Confidential information may be disclosed in any state or federal  
30 judicial or administrative proceeding pertaining to tax administration  
31 pursuant to the following conditions:

32 1. One or more of the following circumstances must apply:

33 (a) The taxpayer is a party to the proceeding.

34 (b) The proceeding arose out of, or in connection with, determining  
35 the taxpayer's civil or criminal liability, or the collection of the  
36 taxpayer's civil liability, with respect to any tax imposed under this title  
37 or title 43.

38 (c) The treatment of an item reflected on the taxpayer's return is  
39 directly related to the resolution of an issue in the proceeding.

40 (d) Return information directly relates to a transactional  
41 relationship between a person who is a party to the proceeding and the  
42 taxpayer and directly affects the resolution of an issue in the proceeding.

43 2. Confidential information may not be disclosed under this subsection  
44 if the disclosure is prohibited by section 42-2002, subsection C or D.

1 D. Identity information may be disclosed for purposes of notifying  
2 persons entitled to tax refunds if the department is unable to locate the  
3 persons after reasonable effort.

4 E. The department, on the request of any person, shall provide the  
5 names and addresses of bingo licensees as defined in section 5-401, verify  
6 whether or not a person has a privilege license and number, a distributor's  
7 license and number or a withholding license and number or disclose the  
8 information to be posted on the department's website or otherwise publicly  
9 accessible pursuant to section 42-1124, subsection F and section 42-3201,  
10 subsection A.

11 F. A department employee, in connection with the official duties  
12 relating to any audit, collection activity or civil or criminal  
13 investigation, may disclose return information to the extent that disclosure  
14 is necessary to obtain information that is not otherwise reasonably  
15 available. These official duties include the correct determination of and  
16 liability for tax, the amount to be collected or the enforcement of other  
17 state tax revenue laws.

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

24 H. Confidential information relating to transaction privilege tax, use  
25 tax, severance tax, jet fuel excise and use tax and any other tax collected  
26 by the department on behalf of the county may be disclosed to any county,  
27 city or town tax official if the information relates to a taxpayer who is or  
28 may be taxable by ~~the~~ A county, city or town. Any taxpayer information  
29 released by the department to the county, city or town:

30 1. May only be used for internal purposes.

31 2. May not be disclosed to the public in any manner that does not  
32 comply with confidentiality standards established by the department. The  
33 county, city or town shall agree in writing with the department that any  
34 release of confidential information that violates the confidentiality  
35 standards adopted by the department will result in the immediate suspension  
36 of any rights of the county, city or town to receive taxpayer information  
37 under this subsection.

38 I. The department may disclose statistical information gathered from  
39 confidential information if it does not disclose confidential information  
40 attributable to any one taxpayer. The department may disclose statistical  
41 information gathered from confidential information, even if it discloses  
42 confidential information attributable to a taxpayer, to:

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

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

4           J. The department may disclose the aggregate amounts of any tax  
5 credit, tax deduction or tax exemption enacted after January 1, 1994.  
6 Information subject to disclosure under this subsection shall not be  
7 disclosed if a taxpayer demonstrates to the department that such information  
8 would give an unfair advantage to competitors.

9           K. Except as provided in section 42-2002, subsection C, confidential  
10 information, described in section 42-2001, paragraph 1, subdivision (a), item  
11 (ii), may be disclosed to law enforcement agencies for law enforcement  
12 purposes.

13           L. The department may provide transaction privilege tax license  
14 information to property tax officials in a county for the purpose of  
15 identification and verification of the tax status of commercial property.

16           M. The department may provide transaction privilege tax, luxury tax,  
17 use tax, property tax and severance tax information to the ombudsman-citizens  
18 aide pursuant to title 41, chapter 8, article 5.

19           N. Except as provided in section 42-2002, subsection D, a court may  
20 order the department to disclose confidential information pertaining to a  
21 party to an action. An order shall be made only upon a showing of good cause  
22 and that the party seeking the information has made demand upon the taxpayer  
23 for the information.

24           O. This section does not prohibit the disclosure by the department of  
25 any information or documents submitted to the department by a bingo licensee.  
26 Before disclosing the information the department shall obtain the name and  
27 address of the person requesting the information.

28           P. If the department is required or permitted to disclose confidential  
29 information, it may charge the person or agency requesting the information  
30 for the reasonable cost of its services.

31           Q. Except as provided in section 42-2002, subsection D, the department  
32 of revenue shall release confidential information as requested by the  
33 department of economic security pursuant to section 42-1122 or 46-291.  
34 Information disclosed under this subsection is limited to the same type of  
35 information that the United States internal revenue service is authorized to  
36 disclose under section 6103(1)(6) of the internal revenue code.

37           R. Except as provided in section 42-2002, subsection D, the department  
38 of revenue shall release confidential information as requested by the courts  
39 and clerks of the court pursuant to section 42-1122.

40           S. To comply with the requirements of section 42-5031, the department  
41 may disclose to the state treasurer, to the county stadium district board of  
42 directors and to any city or town tax official that is part of the county  
43 stadium district confidential information attributable to a taxpayer's  
44 business activity conducted in the county stadium district.



1 T. The department shall release confidential information as requested  
2 by the attorney general for purposes of determining compliance with and  
3 enforcing section 44-7101, the master settlement agreement referred to  
4 therein and subsequent agreements to which the state is a party that amend or  
5 implement the master settlement agreement. Information disclosed under this  
6 subsection is limited to luxury tax information relating to tobacco  
7 manufacturers, distributors, wholesalers and retailers and information  
8 collected by the department pursuant to section 44-7101(2)(j).

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

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

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

28 3. The method of payment of the taxpayer's withholding tax liability  
29 or the method of filing the taxpayer's withholding tax return is an issue for  
30 the period.

31 V. The department may disclose to the attorney general confidential  
32 information received under section 44-7111 and requested by the attorney  
33 general for purposes of determining compliance with and enforcing section  
34 44-7111. The department and attorney general shall share with each other the  
35 information received under section 44-7111, and may share the information  
36 with other federal, state or local agencies only for the purposes of  
37 enforcement of section 13-3711, 36-798.06, 44-7101 or 44-7111 or  
38 corresponding laws of other states.

39 W. The department may provide the name and address of qualifying  
40 hospitals and qualifying health care organizations, as defined in section  
41 42-5001, to a business classified and reporting transaction privilege tax  
42 under the utilities classification.

43 X. The department may disclose to the attorney general confidential  
44 information requested by the attorney general for the purposes of determining  
45 compliance with and enforcing section 13-3711 or 36-798.06.

1           Y. The department may disclose to an official of any city, town or  
2 county in a current agreement or considering a prospective agreement with the  
3 department as described in section 42-5032.02, subsection F any information  
4 relating to amounts subject to distribution required by section 42-5032.02.  
5 Information disclosed by the department under this subsection:

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

13           Sec. 5. Section 42-2003, Arizona Revised Statutes, as amended by  
14 Laws 2013, chapter 255, section 2, is amended to read:

15           42-2003. Authorized disclosure of confidential information

16           A. Confidential information relating to:

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

21           2. A corporate taxpayer may be disclosed to any principal officer, any  
22 person designated by a principal officer or any person designated in a  
23 resolution by the corporate board of directors or other similar governing  
24 body.

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

28           4. An estate may be disclosed to the personal representative of the  
29 estate and to any heir, next of kin or beneficiary under the will of the  
30 decedent if the department finds that the heir, next of kin or beneficiary  
31 has a material interest which will be affected by the confidential  
32 information.

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

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

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

42           B. Confidential information may be disclosed to:

43           1. Any employee of the department whose official duties involve tax  
44 administration.

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

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

11           4. Other state tax officials whose official duties require the  
12 disclosure for proper tax administration purposes if the information is  
13 sought in connection with an investigation or any other proceeding conducted  
14 by the official. Any disclosure is limited to information of a taxpayer who  
15 is being investigated or who is a party to a proceeding conducted by the  
16 official.

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

22           (a) The United States internal revenue service, alcohol and tobacco  
23 tax and trade bureau of the United States treasury, United States bureau of  
24 alcohol, tobacco, firearms and explosives of the United States department of  
25 justice, United States drug enforcement agency and federal bureau of  
26 investigation.

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

28           (c) An organization of states, federation of tax administrators or  
29 multistate tax commission that operates an information exchange for tax  
30 administration purposes.

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

34           (e) An agency, official or organization of an Indian tribal government  
35 with responsibilities comparable to the responsibilities of the agencies,  
36 officials or organizations identified in subdivision (a), (b) or (c) of this  
37 paragraph.

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

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

42           (a) The processing, storage, transmission, destruction and  
43 reproduction of the information.

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

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

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

5 (a) Regarding income tax or withholding tax.

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

8 9. The United States treasury inspector general for tax administration  
9 for the purpose of reporting a violation of internal revenue code section  
10 7213A (26 United States Code section 7213A), unauthorized inspection of  
11 returns or return information.

12 10. The financial management service of the United States treasury  
13 department for use in the treasury offset program.

14 11. The United States treasury department or its authorized agent for  
15 use in the state income tax levy program and in the electronic federal tax  
16 payment system.

17 12. The Arizona commerce authority for its use in:

18 (a) Qualifying renewable energy operations for the tax incentives  
19 under sections 42-12006, 43-1083.01 and 43-1164.01.

20 (b) Qualifying businesses with a qualified facility for income tax  
21 credits under sections 43-1083.03 and 43-1164.04.

22 (c) Fulfilling its annual reporting responsibility pursuant to section  
23 41-1511, subsections U and V and section 41-1512, subsections U and V.

24 13. A prosecutor for purposes of section 32-1164, subsection C.

25 14. The state fire marshal for use in determining compliance with and  
26 enforcing title 41, chapter 16, article 3.1.

27 15. The department of transportation for its use in administering taxes  
28 and surcharges prescribed by title 28.

29 C. Confidential information may be disclosed in any state or federal  
30 judicial or administrative proceeding pertaining to tax administration  
31 pursuant to the following conditions:

32 1. One or more of the following circumstances must apply:

33 (a) The taxpayer is a party to the proceeding.

34 (b) The proceeding arose out of, or in connection with, determining  
35 the taxpayer's civil or criminal liability, or the collection of the  
36 taxpayer's civil liability, with respect to any tax imposed under this title  
37 or title 43.

38 (c) The treatment of an item reflected on the taxpayer's return is  
39 directly related to the resolution of an issue in the proceeding.

40 (d) Return information directly relates to a transactional  
41 relationship between a person who is a party to the proceeding and the  
42 taxpayer and directly affects the resolution of an issue in the proceeding.

43 2. Confidential information may not be disclosed under this subsection  
44 if the disclosure is prohibited by section 42-2002, subsection C or D.

1 D. Identity information may be disclosed for purposes of notifying  
2 persons entitled to tax refunds if the department is unable to locate the  
3 persons after reasonable effort.

4 E. The department, on the request of any person, shall provide the  
5 names and addresses of bingo licensees as defined in section 5-401, verify  
6 whether or not a person has a privilege license and number, a distributor's  
7 license and number or a withholding license and number or disclose the  
8 information to be posted on the department's website or otherwise publicly  
9 accessible pursuant to section 42-1124, subsection F and section 42-3201,  
10 subsection A.

11 F. A department employee, in connection with the official duties  
12 relating to any audit, collection activity or civil or criminal  
13 investigation, may disclose return information to the extent that disclosure  
14 is necessary to obtain information that is not otherwise reasonably  
15 available. These official duties include the correct determination of and  
16 liability for tax, the amount to be collected or the enforcement of other  
17 state tax revenue laws.

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

24 H. Confidential information relating to transaction privilege tax, use  
25 tax, severance tax, jet fuel excise and use tax and any other tax collected  
26 by the department on behalf of any jurisdiction may be disclosed to any  
27 county, city or town tax official if the information relates to a taxpayer  
28 who is or may be taxable by ~~the~~ A county, city or town or who may be subject  
29 to audit by the department pursuant to section 42-6002. Any taxpayer  
30 information released by the department to the county, city or town:

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

32 2. May not be disclosed to the public in any manner that does not  
33 comply with confidentiality standards established by the department. The  
34 county, city or town shall agree in writing with the department that any  
35 release of confidential information that violates the confidentiality  
36 standards adopted by the department will result in the immediate suspension  
37 of any rights of the county, city or town to receive taxpayer information  
38 under this subsection.

39 I. The department may disclose statistical information gathered from  
40 confidential information if it does not disclose confidential information  
41 attributable to any one taxpayer. The department may disclose statistical  
42 information gathered from confidential information, even if it discloses  
43 confidential information attributable to a taxpayer, to:

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

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

4           J. The department may disclose the aggregate amounts of any tax  
5 credit, tax deduction or tax exemption enacted after January 1, 1994.  
6 Information subject to disclosure under this subsection shall not be  
7 disclosed if a taxpayer demonstrates to the department that such information  
8 would give an unfair advantage to competitors.

9           K. Except as provided in section 42-2002, subsection C, confidential  
10 information, described in section 42-2001, paragraph 1, subdivision (a), item  
11 (ii), may be disclosed to law enforcement agencies for law enforcement  
12 purposes.

13           L. The department may provide transaction privilege tax license  
14 information to property tax officials in a county for the purpose of  
15 identification and verification of the tax status of commercial property.

16           M. The department may provide transaction privilege tax, luxury tax,  
17 use tax, property tax and severance tax information to the ombudsman-citizens  
18 aide pursuant to title 41, chapter 8, article 5.

19           N. Except as provided in section 42-2002, subsection D, a court may  
20 order the department to disclose confidential information pertaining to a  
21 party to an action. An order shall be made only upon a showing of good cause  
22 and that the party seeking the information has made demand upon the taxpayer  
23 for the information.

24           O. This section does not prohibit the disclosure by the department of  
25 any information or documents submitted to the department by a bingo licensee.  
26 Before disclosing the information the department shall obtain the name and  
27 address of the person requesting the information.

28           P. If the department is required or permitted to disclose confidential  
29 information, it may charge the person or agency requesting the information  
30 for the reasonable cost of its services.

31           Q. Except as provided in section 42-2002, subsection D, the department  
32 of revenue shall release confidential information as requested by the  
33 department of economic security pursuant to section 42-1122 or 46-291.  
34 Information disclosed under this subsection is limited to the same type of  
35 information that the United States internal revenue service is authorized to  
36 disclose under section 6103(1)(6) of the internal revenue code.

37           R. Except as provided in section 42-2002, subsection D, the department  
38 of revenue shall release confidential information as requested by the courts  
39 and clerks of the court pursuant to section 42-1122.

40           S. To comply with the requirements of section 42-5031, the department  
41 may disclose to the state treasurer, to the county stadium district board of  
42 directors and to any city or town tax official that is part of the county  
43 stadium district confidential information attributable to a taxpayer's  
44 business activity conducted in the county stadium district.

1 T. The department shall release confidential information as requested  
2 by the attorney general for purposes of determining compliance with and  
3 enforcing section 44-7101, the master settlement agreement referred to  
4 therein and subsequent agreements to which the state is a party that amend or  
5 implement the master settlement agreement. Information disclosed under this  
6 subsection is limited to luxury tax information relating to tobacco  
7 manufacturers, distributors, wholesalers and retailers and information  
8 collected by the department pursuant to section 44-7101(2)(j).

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

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

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

28 3. The method of payment of the taxpayer's withholding tax liability  
29 or the method of filing the taxpayer's withholding tax return is an issue for  
30 the period.

31 V. The department may disclose to the attorney general confidential  
32 information received under section 44-7111 and requested by the attorney  
33 general for purposes of determining compliance with and enforcing section  
34 44-7111. The department and attorney general shall share with each other the  
35 information received under section 44-7111, and may share the information  
36 with other federal, state or local agencies only for the purposes of  
37 enforcement of section 36-798.06, 44-7101 or 44-7111 or corresponding laws of  
38 other states.

39 W. The department may provide the name and address of qualifying  
40 hospitals and qualifying health care organizations, as defined in section  
41 42-5001, to a business classified and reporting transaction privilege tax  
42 under the utilities classification.

43 X. The department may disclose to the attorney general confidential  
44 information requested by the attorney general for the purposes of determining  
45 compliance with and enforcing section 36-798.06.

1           Y. The department may disclose to an official of any city, town or  
2 county in a current agreement or considering a prospective agreement with the  
3 department as described in section 42-5032.02, subsection F any information  
4 relating to amounts subject to distribution required by section 42-5032.02.  
5 Information disclosed by the department under this subsection:

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

13           Sec. 6. Section 42-2075, Arizona Revised Statutes, as amended by  
14 Laws 2013, chapter 255, section 4, is amended to read:

15           42-2075. Audit duration; definition

16           A. An audit of a taxpayer's return or claim for refund shall not  
17 exceed two years from the date of initial audit contact to the issuance of a  
18 notice of proposed deficiency assessment or proposed overpayment, except:

- 19           1. An audit of a fraudulent tax return.
- 20           2. An audit delayed as the result of the taxpayer's bankruptcy  
21 proceeding.
- 22           3. An audit in which the department has issued a letter to the  
23 taxpayer or the taxpayer's representative citing the potential imposition of  
24 the penalty described in section 42-1125, subsection C for the taxpayer's  
25 failure or refusal to provide information pursuant to the department's  
26 written request.
- 27           4. An audit involving proceedings concerning the enforcement or  
28 validity of a subpoena or subpoena duces tecum issued pursuant to section  
29 42-1006, subsection C.

30           5. An audit involving a proceeding under section 42-2056.

31           6. An audit where a taxpayer has filed a petition pursuant to section  
32 43-1148, but only in relation to the effect of the petition request.

33           7. An audit in which the taxpayer provides a written request to extend  
34 the audit beyond the two-year period. A request for extension under this  
35 paragraph is not a substitute for a waiver of the statute of limitations  
36 pursuant to section 42-1104, subsection B, paragraph 9. However, a waiver of  
37 the statute of limitations is considered to be a written request to extend  
38 the audit beyond the two-year period under this paragraph.

39           B. This section applies to audits conducted by the department and to  
40 audits conducted by the department and cities and towns pursuant to section  
41 42-6002.

42           C. For the purposes of this section, "initial audit contact" means:

- 43           1. For a field audit, the date of the first meeting between the  
44 taxpayer or the taxpayer's representative and a member of the department's  
45 audit staff.



1           2. For a desk or office audit OR A REVIEW CONDUCTED PURSUANT TO  
2 SECTION 42-1109, the date of the first letter to the taxpayer regarding the  
3 audit OR REVIEW.

4           Sec. 7. Section 42-5005, Arizona Revised Statutes, is amended to read:  
5 42-5005. Transaction privilege tax licenses; fees; renewal;  
6 revocation; violation; classification

7           A. Every person who receives gross proceeds of sales or gross income  
8 ~~upon~~ ON which a TRANSACTION privilege tax is imposed by this  
9 article, ~~desiring~~ AND WHO DESIRES to engage or continue in business, shall  
10 ~~make application~~ APPLY to the department for ~~a~~ AN ANNUAL TRANSACTION  
11 privilege TAX license accompanied by a fee of twelve dollars. ~~Such licenses~~  
12 ~~shall be effective indefinitely.~~ Such A person shall not engage or continue  
13 in business until the person has obtained a TRANSACTION privilege TAX  
14 license.

15           B. A PERSON DESIRING TO ENGAGE OR CONTINUE IN BUSINESS WITHIN A CITY  
16 OR TOWN THAT IMPOSES A MUNICIPAL PRIVILEGE TAX SHALL APPLY TO THE DEPARTMENT  
17 OF REVENUE FOR AN ANNUAL MUNICIPAL PRIVILEGE TAX LICENSE ACCOMPANIED BY A FEE  
18 OF UP TO FIFTY DOLLARS, AS ESTABLISHED BY ORDINANCE OF THE CITY OR TOWN. THE  
19 PERSON SHALL SUBMIT THE FEE WITH EACH NEW LICENSE APPLICATION. THE PERSON  
20 MAY NOT ENGAGE OR CONTINUE IN BUSINESS UNTIL THE PERSON HAS OBTAINED A  
21 MUNICIPAL PRIVILEGE TAX LICENSE. THE DEPARTMENT MUST COLLECT, HOLD, PAY AND  
22 MANAGE THE FEES IN TRUST FOR THE CITY OR TOWN AND MAY NOT USE THE MONIES FOR  
23 ANY OTHER PURPOSES.

24           C. A TRANSACTION PRIVILEGE TAX LICENSE IS VALID ONLY FOR THE CALENDAR  
25 YEAR IN WHICH IT IS ISSUED, BUT IT MAY BE RENEWED FOR THE FOLLOWING CALENDAR  
26 YEAR. THERE IS NO FEE FOR THE RENEWAL OF THE TRANSACTION PRIVILEGE TAX  
27 LICENSE. THE TRANSACTION PRIVILEGE TAX LICENSE MUST BE RENEWED AT THE SAME  
28 TIME AND IN THE MANNER AS THE MUNICIPAL PRIVILEGE TAX LICENSE RENEWAL.

29           D. A MUNICIPAL PRIVILEGE TAX LICENSE IS VALID ONLY FOR THE CALENDAR  
30 YEAR IN WHICH IT IS ISSUED, BUT IT MAY BE RENEWED FOR THE FOLLOWING CALENDAR  
31 YEAR BY THE PAYMENT OF A LICENSE RENEWAL FEE OF UP TO FIFTY DOLLARS. THE  
32 RENEWAL FEE IS DUE AND PAYABLE ON JANUARY 1 AND IS CONSIDERED DELINQUENT IF  
33 NOT RECEIVED ON OR BEFORE THE LAST BUSINESS DAY OF JANUARY. THE DEPARTMENT  
34 MUST COLLECT, HOLD, PAY AND MANAGE THE FEES IN TRUST FOR THE CITY OR TOWN AND  
35 MAY NOT USE THE MONIES FOR ANY OTHER PURPOSES.

36           E. A LICENSEE THAT REMAINS IN BUSINESS AFTER THE MUNICIPAL PRIVILEGE  
37 TAX LICENSE HAS EXPIRED IS SUBJECT TO THE PAYMENT OF THE LICENSE RENEWAL FEE  
38 AND THE CIVIL PENALTY PRESCRIBED IN SECTION 42-1125, SUBSECTION R.

39           ~~B-~~ F. If the applicant is not in arrears in payment of any tax  
40 imposed by this article, the department shall issue a license authorizing the  
41 applicant to engage and continue in ~~such~~ business, ~~upon~~ ON the condition that  
42 the applicant complies with this article. The license number shall be  
43 continuous.

44           ~~C-~~ G. The TRANSACTION privilege TAX license ~~shall not be~~ AND THE  
45 MUNICIPAL PRIVILEGE TAX LICENSE ARE NOT transferable ~~upon~~ ON a change of

1 ownership or change of location of the business. For the purposes of this  
2 subsection:

3 1. "Location" means the business address appearing in the application  
4 for the license and on the TRANSACTION privilege TAX OR MUNICIPAL PRIVILEGE  
5 TAX license.

6 2. "Ownership" means any right, title or interest in the business.

7 3. "Transferable" means the ability to convey or change the right or  
8 privilege to engage or continue in business by virtue of the issuance of the  
9 TRANSACTION privilege TAX OR MUNICIPAL PRIVILEGE TAX license.

10 ~~D.~~ H. When the ownership or location of a business ~~upon~~ ON which a  
11 TRANSACTION privilege tax OR MUNICIPAL PRIVILEGE TAX is imposed ~~by this~~  
12 ~~article~~ has been changed within the meaning of subsection ~~G~~ G of this  
13 section, the licensee shall surrender the license to the department. The  
14 license shall be reissued to the new owners or for the new location ~~upon~~ ON  
15 application by the taxpayer and payment of the twelve-dollar fee FOR A  
16 TRANSACTION PRIVILEGE TAX LICENSE AND A FEE OF UP TO FIFTY DOLLARS PER  
17 JURISDICTION FOR A MUNICIPAL PRIVILEGE TAX LICENSE. THE DEPARTMENT MUST  
18 COLLECT, HOLD, PAY AND MANAGE THE FEES IN TRUST FOR THE CITY OR TOWN AND MAY  
19 NOT USE THE MONIES FOR ANY OTHER PURPOSES.

20 ~~E.~~ I. A person WHO IS engaged in or conducting a business in two or  
21 more locations or under two or more business names shall procure a  
22 TRANSACTION PRIVILEGE TAX license for each location or business name  
23 REGARDLESS OF WHETHER ALL LOCATIONS OR BUSINESS NAMES ARE REPORTED ON A  
24 CONSOLIDATED RETURN UNDER A SINGLE TRANSACTION PRIVILEGE TAX LICENSE NUMBER.  
25 This requirement shall not be construed as conflicting with section 42-5020.

26 J. A PERSON WHO IS ENGAGED IN OR CONDUCTING A BUSINESS IN TWO OR MORE  
27 LOCATIONS OR UNDER TWO OR MORE BUSINESS NAMES SHALL PROCURE A MUNICIPAL  
28 PRIVILEGE TAX LICENSE FOR EACH LOCATION OR BUSINESS NAME REGARDLESS OF  
29 WHETHER ALL LOCATIONS OR BUSINESS NAMES ARE REPORTED ON A CONSOLIDATED  
30 RETURN.

31 K. A PERSON WHO IS ENGAGED IN OR CONDUCTING BUSINESS AT TWO OR MORE  
32 LOCATIONS OR UNDER TWO OR MORE BUSINESS NAMES AND WHO FILES A CONSOLIDATED  
33 RETURN UNDER A SINGLE TRANSACTION PRIVILEGE TAX LICENSE NUMBER AS PROVIDED BY  
34 SECTION 42-5020 IS REQUIRED TO PAY ONLY A SINGLE MUNICIPAL PRIVILEGE TAX  
35 LICENSE RENEWAL FEE FOR EACH LOCAL JURISDICTION PURSUANT TO SUBSECTION D OF  
36 THIS SECTION. A PERSON WHO IS ENGAGED IN OR CONDUCTING BUSINESS AT TWO OR  
37 MORE LOCATIONS OR UNDER TWO OR MORE BUSINESS NAMES AND WHO DOES NOT FILE A  
38 CONSOLIDATED RETURN UNDER A SINGLE LICENSE NUMBER IS REQUIRED TO PAY A  
39 LICENSE RENEWAL FEE FOR EACH LOCATION OR LICENSE IN A LOCAL JURISDICTION.

40 ~~F.~~ L. If a person violates this article or any rule adopted under  
41 this article, the department upon hearing may revoke any TRANSACTION  
42 privilege TAX OR MUNICIPAL PRIVILEGE TAX license issued to the person. The  
43 department shall provide ten days' written notice of the hearing, stating the  
44 time and place and requiring the person to appear and show cause why the  
45 license or licenses should not be revoked. The department shall provide

1 written notice to the person of the revocation of the license. The notices  
2 may be served personally or by mail pursuant to section 42-5037. After  
3 revocation, the department shall not issue a new license to the person unless  
4 the person presents evidence satisfactory to the department that the person  
5 will comply with this article and with the rules adopted under this article.  
6 The department may prescribe the terms under which a revoked license may be  
7 reissued.

8 ~~G~~ M. A person who violates any provision of this section is guilty  
9 of a class 3 misdemeanor.

10 Sec. 8. Section 42-5009, Arizona Revised Statutes, as amended by Laws  
11 2013, chapter 40, section 3, is amended to read:

12 ~~42-5009.~~ Certificates establishing deductions; liability for  
13 making false certificate

14 A. A person who conducts any business classified under article 2 of  
15 this chapter may establish entitlement to the allowable deductions from the  
16 tax base of that business by both:

17 1. Marking the invoice for the transaction to indicate that the gross  
18 proceeds of sales or gross income derived from the transaction was deducted  
19 from the tax base.

20 2. Obtaining a certificate executed by the purchaser indicating the  
21 name and address of the purchaser, the precise nature of the business of the  
22 purchaser, the purpose for which the purchase was made, the necessary facts  
23 to establish the appropriate deduction and the tax license number of the  
24 purchaser to the extent the deduction depends on the purchaser conducting  
25 business classified under article 2 of this chapter and a certification that  
26 the person executing the certificate is authorized to do so on behalf of the  
27 purchaser. The certificate may be disregarded if the seller has reason to  
28 believe that the information contained in the certificate is not accurate or  
29 complete.

30 B. A person who does not comply with subsection A of this section may  
31 establish entitlement to the deduction by presenting facts necessary to  
32 support the entitlement, but the burden of proof is on that person.

33 C. The department may prescribe a form for the certificate described  
34 in subsection A of this section. Under such rules as it may prescribe, the  
35 department may also describe transactions with respect to which a person is  
36 not entitled to rely solely on the information contained in the certificate  
37 provided for in subsection A of this section but must instead obtain such  
38 additional information as required by the rules in order to be entitled to  
39 the deduction.

40 D. If a seller is entitled to a deduction by complying with subsection  
41 A of this section, the department may require the purchaser that caused the  
42 execution of the certificate to establish the accuracy and completeness of  
43 the information required to be contained in the certificate that would  
44 entitle the seller to the deduction. If the purchaser cannot establish the  
45 accuracy and completeness of the information, the purchaser is liable in an

1 amount equal to any tax, penalty and interest that the seller would have been  
2 required to pay under this article if the seller had not complied with  
3 subsection A of this section. Payment of the amount under this subsection  
4 exempts the purchaser from liability for any tax imposed under article 4 of  
5 this chapter. The amount shall be treated as tax revenues collected from the  
6 seller in order to designate the distribution base for purposes of section  
7 42-5029.

8 E. If a seller is entitled to a deduction by complying with subsection  
9 B of this section, the department may require the purchaser to establish the  
10 accuracy and completeness of the information provided to the seller that  
11 entitled the seller to the deduction. If the purchaser cannot establish the  
12 accuracy and completeness of the information, the purchaser is liable in an  
13 amount equal to any tax, penalty and interest that the seller would have been  
14 required to pay under this article if the seller had not complied with  
15 subsection B of this section. Payment of the amount under this subsection  
16 exempts the purchaser from liability for any tax imposed under article 4 of  
17 this chapter. The amount shall be treated as tax revenues collected from the  
18 seller in order to designate the distribution base for purposes of section  
19 42-5029.

20 F. The department may prescribe a form for a certificate used to  
21 establish entitlement to the deductions described in section 42-5061,  
22 subsection A, paragraph ~~47~~ 46 and section 42-5063, subsection B, paragraph 3.  
23 Under rules the department may prescribe, the department may also require  
24 additional information for the seller to be entitled to the deduction. If a  
25 seller is entitled to the deductions described in section 42-5061, subsection  
26 A, paragraph ~~47~~ 46 and section 42-5063, subsection B, paragraph 3, the  
27 department may require the purchaser who executed the certificate to  
28 establish the accuracy and completeness of the information contained in the  
29 certificate that would entitle the seller to the deduction. If the purchaser  
30 cannot establish the accuracy and completeness of the information, the  
31 purchaser is liable in an amount equal to any tax, penalty and interest that  
32 the seller would have been required to pay under this article. Payment of  
33 the amount under this subsection exempts the purchaser from liability for any  
34 tax imposed under article 4 of this chapter. The amount shall be treated as  
35 tax revenues collected from the seller in order to designate the distribution  
36 base for purposes of section 42-5029.

37 G. If a seller claims a deduction under section 42-5061, subsection A,  
38 paragraph 25 and establishes entitlement to the deduction with an exemption  
39 letter that the purchaser received from the department and the exemption  
40 letter was based on a contingent event, the department may require the  
41 purchaser that received the exemption letter to establish the satisfaction of  
42 the contingent event within a reasonable time. If the purchaser cannot  
43 establish the satisfaction of the event, the purchaser is liable in an amount  
44 equal to any tax, penalty and interest that the seller would have been  
45 required to pay under this article if the seller had not been furnished the

1 exemption letter. Payment of the amount under this subsection exempts the  
2 purchaser from liability for any tax imposed under article 4 of this chapter.  
3 The amount shall be treated as tax revenues collected from the seller in  
4 order to designate the distribution base for purposes of section 42-5029.  
5 For the purposes of this subsection, "reasonable time" means a time  
6 limitation that the department determines and that does not exceed the time  
7 limitations pursuant to section 42-1104.

8 H. The department shall prescribe forms for certificates used to  
9 establish the satisfaction of the criteria necessary to qualify the sale of a  
10 motor vehicle for the deductions described in section 42-5061, subsection A,  
11 paragraph 14, paragraph 28, subdivision (a) and paragraph ~~45~~ 44 and  
12 subsection U. Except as provided in subsection J of this section, to  
13 establish entitlement to these deductions, a motor vehicle dealer shall  
14 retain:

15 1. A valid certificate as prescribed by this subsection completed by  
16 the purchaser and obtained prior to the issuance of the nonresident  
17 registration permit authorized by section 28-2154.

18 2. A copy of the nonresident registration permit authorized by section  
19 28-2154.

20 3. A legible copy of a current valid driver license issued to the  
21 purchaser by another state or foreign country that indicates an address  
22 outside of this state. For the sale of a motor vehicle to a nonresident  
23 entity, the entity's representative must have a current valid driver license  
24 issued by the same jurisdiction as that in which the entity is located.

25 4. For the purposes of the deduction provided by section 42-5061,  
26 subsection A, paragraph 14, a certificate documenting the delivery of the  
27 motor vehicle to an out-of-state location.

28 I. Notwithstanding subsection A, paragraph 2 of this section, if a  
29 motor vehicle dealer has established entitlement to a deduction by complying  
30 with subsection H of this section, the department may require the purchaser  
31 who executed the certificate to establish the accuracy and completeness of  
32 the information contained in the certificate that entitled the motor vehicle  
33 dealer to the deduction. If the purchaser cannot establish the accuracy and  
34 completeness of the information, the purchaser is liable in an amount equal  
35 to any tax, penalty and interest that the motor vehicle dealer would have  
36 been required to pay under this article and under articles IV and V of the  
37 model city tax code as defined in section 42-6051. Payment of the amount  
38 under this subsection exempts the purchaser from liability for any tax  
39 imposed under article 4 of this chapter and any tax imposed under article VI  
40 of the model city tax code as defined in section 42-6051. The amount shall  
41 be treated as tax revenues collected from the motor vehicle dealer in order  
42 to designate the distribution base for purposes of section 42-5029.

43 J. To establish entitlement to the deduction described in section  
44 42-5061, subsection A, paragraph 45, a public consignment auction dealer as  
45 defined in section ~~28-4410.01~~ 28-4301 shall submit the valid certificate

1 prescribed by subsection H of this section to the department and retain a  
2 copy for its records.

3 K. Notwithstanding any other law, compliance with subsection H of this  
4 section by a motor vehicle dealer entitles the motor vehicle dealer to the  
5 exemption provided in section 42-6004, subsection A, paragraph 4.

6 L. THE DEPARTMENT SHALL PRESCRIBE A FORM FOR A CERTIFICATE TO BE USED  
7 BY A CONTRACTOR THAT IS NOT OTHERWISE SUBJECT TO TAX UNDER SECTION 42-5075,  
8 SUBSECTION O WHEN PURCHASING TANGIBLE PERSONAL PROPERTY TO BE INCORPORATED OR  
9 FABRICATED BY THE PERSON INTO ANY REAL PROPERTY, STRUCTURE, PROJECT,  
10 DEVELOPMENT OR IMPROVEMENT TO PROVIDE DOCUMENTATION TO A RETAILER THAT THE  
11 SALE OF TANGIBLE PERSONAL PROPERTY QUALIFIES FOR THE DEDUCTION UNDER SECTION  
12 42-5061, SUBSECTION A, PARAGRAPH 27. A PRIME CONTRACTOR SHALL OBTAIN THE  
13 CERTIFICATE FROM THE DEPARTMENT AND SHALL PROVIDE A COPY TO ANY CONTRACTOR  
14 WORKING ON THE PROJECT THAT DOES NOT HAVE A TRANSACTION PRIVILEGE TAX LICENSE  
15 BY REASON OF NOT BEING SUBJECT TO TAX UNDER SECTION 42-5075, SUBSECTION O.  
16 THE PRIME CONTRACTOR SHALL OBTAIN A NEW CERTIFICATE FOR EACH PROJECT TO WHICH  
17 THIS SUBSECTION APPLIES. FOR THE PURPOSES OF THIS SUBSECTION, THE FOLLOWING  
18 APPLY:

19 1. THE CONTRACTOR MAY USE THE CERTIFICATE ISSUED PURSUANT TO THIS  
20 SUBSECTION ONLY WITH RESPECT TO TANGIBLE PERSONAL PROPERTY THAT WILL BE  
21 INCORPORATED INTO A PROJECT FOR WHICH THE GROSS RECEIPTS ARE SUBJECT TO TAX  
22 UNDER SECTION 42-5075.

23 2. THE DEPARTMENT SHALL ISSUE THE CERTIFICATE TO THE PRIME CONTRACTOR  
24 ON RECEIVING SUFFICIENT DOCUMENTATION TO ESTABLISH THAT THE PRIME CONTRACTOR  
25 MEETS THE REQUIREMENTS OF THIS SUBSECTION.

26 3. IF A CONTRACTOR USES THE CERTIFICATE PROVIDED UNDER THIS SUBSECTION  
27 TO PURCHASE TANGIBLE PERSONAL PROPERTY TO BE USED IN A NONTAXABLE CONTRACT,  
28 THE CONTRACTOR IS LIABLE IN AN AMOUNT EQUAL TO ANY TAX, PENALTY AND INTEREST  
29 THAT THE SELLER WOULD HAVE BEEN REQUIRED TO PAY UNDER THIS ARTICLE IF THE  
30 SELLER HAD NOT COMPLIED WITH SUBSECTION A OF THIS SECTION. PAYMENT OF THE  
31 AMOUNT UNDER THIS SECTION EXEMPTS THE CONTRACTOR FROM LIABILITY FOR ANY TAX  
32 IMPOSED UNDER ARTICLE 4 OF THIS CHAPTER. THE AMOUNT SHALL BE TREATED AS TAX  
33 REVENUES COLLECTED FROM THE SELLER IN ORDER TO DESIGNATE THE DISTRIBUTION  
34 BASE FOR PURPOSES OF SECTION 42-5029.

35 M. NOTWITHSTANDING ANY OTHER LAW, COMPLIANCE WITH SUBSECTION L OF THIS  
36 SECTION BY A CONTRACTOR ENTITLES THE CONTRACTOR PURCHASING TANGIBLE PERSONAL  
37 PROPERTY TO BE INCORPORATED OR FABRICATED BY THE PERSON INTO ANY REAL  
38 PROPERTY, STRUCTURE, PROJECT, DEVELOPMENT OR IMPROVEMENT TO THE EXEMPTION  
39 PROVIDED IN SECTION 465, SUBSECTION (k) OF THE MODEL CITY TAX CODE.

40 Sec. 9. Repeal

41 Section 42-5009, Arizona Revised Statutes, as amended by Laws 2013,  
42 chapter 255, section 5, is repealed.

1           Sec. 10. Section 42-5014, Arizona Revised Statutes, as amended by Laws  
2 2013, chapter 255, section 7, is amended to read:

3           42-5014. Return and payment of tax; estimated tax; extensions;  
4                                   abatements

5           A. Except as provided in subsection B, C or D of this section, the  
6 taxes levied under this article:

7           1. Are due and payable monthly in the form required by section 42-5018  
8 for the amount of the tax, to the department, on or before the twentieth day  
9 of the month next succeeding the month in which the tax accrues.

10           2. Are delinquent as follows:

11           (a) For taxpayers ~~electing to~~ THAT file by mail, if not postmarked on  
12 or before the twenty-fifth day of that month or if not received by the  
13 department on or before the business day preceding the last business day of  
14 the month.

15           (b) For taxpayers ~~electing~~ THAT ARE REQUIRED OR ELECT to file and pay  
16 electronically in any month, if not received by the department on or before  
17 the last business day of the month.

18           (c) For all other taxpayers, if not received by the department on or  
19 before the business day preceding the last business day of the month.

20           B. The department, for any taxpayer whose estimated annual liability  
21 for taxes imposed OR ADMINISTERED by this article, OR CHAPTER 6 OF THIS TITLE  
22 is between five hundred dollars and one thousand two hundred fifty dollars,  
23 may authorize such taxpayer to pay such taxes on a quarterly basis. The  
24 department, for any taxpayer whose estimated annual liability for taxes  
25 imposed by this article is five hundred dollars or less, may authorize such  
26 taxpayer to pay such taxes on an annual basis.

27           C. The department may require a taxpayer whose business is of a  
28 transient character to file the return and remit the taxes imposed by this  
29 article on a daily, a weekly or a transaction by transaction basis, and those  
30 returns and payments are due and payable on the date fixed by the department  
31 without a grace period otherwise allowed by this section. For the purposes  
32 of this subsection, "business of a transient character" means sales activity  
33 by a taxpayer not regularly engaged in selling within the state conducted  
34 from vehicles, portable stands, rented spaces, structures or booths, or  
35 concessions at fairs, carnivals, circuses, festivals or similar activities  
36 for not more than thirty consecutive days.

37           D. ~~In 2010, 2011 and 2012, if a business entity under which a taxpayer~~  
38 ~~reports and pays income tax under title 43 has an annual total tax liability~~  
39 ~~under this article, article 6 of this chapter and chapter 6, article 3 of~~  
40 ~~this title in calendar year 2010, 2011 or 2012 of one hundred thousand~~  
41 ~~dollars or more, based on the actual tax liability in calendar year 2009,~~  
42 ~~2010 or 2011, regardless of the number of offices at which the taxes imposed~~  
43 ~~by this article, article 6 of this chapter or chapter 6, article 3 of this~~  
44 ~~title are collected, or if the taxpayer can reasonably anticipate such~~  
45 ~~liability in calendar year 2010, 2011 or 2012, the taxpayer shall report on a~~



1 ~~form prescribed by the department and pay an estimated tax payment in June,~~  
2 ~~2010, 2011 or 2012. Thereafter,~~ If the business entity under which a  
3 taxpayer reports and pays income tax under title 43 has an annual total tax  
4 liability under this article, article 6 of this chapter and chapter 6,  
5 article 3 of this title of one million dollars or more, based on the actual  
6 tax liability in the preceding calendar year, regardless of the number of  
7 offices at which the taxes imposed by this article, article 6 of this chapter  
8 or chapter 6, article 3 of this title are collected, or if the taxpayer can  
9 reasonably anticipate such liability in the current year, the taxpayer shall  
10 report on a form prescribed by the department and pay an estimated tax  
11 payment each June. Any other taxpayer may voluntarily elect to pay the  
12 estimated tax payment pursuant to this subsection. The payment shall be made  
13 on or before June 20 and is delinquent if not postmarked on or before that  
14 date or if not received by the department on or before the business day  
15 preceding the last business day of June for those taxpayers electing to file  
16 by mail, or delinquent if not received by the department on the business day  
17 preceding the last business day of June for those taxpayers electing to file  
18 in person. The estimated tax paid shall be credited against the taxpayer's  
19 tax liability under this article, article 6 of this chapter and chapter 6,  
20 article 3 of this title for the month of June for the current calendar year.  
21 The estimated tax payment shall equal either:

22 1. One-half of the actual tax liability under this article plus  
23 one-half of any tax liability under article 6 of this chapter and chapter 6,  
24 article 3 of this title for May of the current calendar year.

25 2. The actual tax liability under this article plus any tax liability  
26 under article 6 of this chapter and chapter 6, article 3 of this title for  
27 the first fifteen days of June of the current calendar year.

28 E. The taxpayer shall prepare a return showing the amount of the tax  
29 for which the taxpayer is liable for the preceding month, and shall mail or  
30 deliver the return to the department in the same manner and time as  
31 prescribed for the payment of taxes in subsection A of this section. If the  
32 taxpayer fails to file the return in the manner and time as prescribed for  
33 the payment of taxes in subsection A of this section, the amount of the tax  
34 required to be shown on the return is subject to the penalty imposed pursuant  
35 to section 42-1125, subsection A, without any reduction for taxes paid on or  
36 before the due date of the return. The return shall be verified by the oath  
37 of the taxpayer or an authorized agent or as prescribed by the department  
38 pursuant to section 42-1105, subsection B.

39 F. Any person who is taxable under this article and who makes cash and  
40 credit sales shall report such cash and credit sales separately and ~~upon~~ ON  
41 making application may obtain from the department an extension of time for  
42 payment of taxes due on the credit sales. The extension shall be granted by  
43 the department under such rules as the department prescribes. When the  
44 extension is granted, the taxpayer shall thereafter include in each monthly



1 report all collections made on such credit sales during the month next  
2 preceding and shall pay the taxes due at the time of filing such report.

3 G. The returns required under this article shall be made ~~upon~~ ON forms  
4 prescribed by the department and shall capture data with sufficient  
5 specificity to meet the needs of all taxing jurisdictions.

6 H. ANY PERSON WHO IS ENGAGED IN OR CONDUCTING BUSINESS IN TWO OR MORE  
7 LOCATIONS OR UNDER TWO OR MORE BUSINESS NAMES SHALL FILE THE RETURN REQUIRED  
8 UNDER THIS ARTICLE BY ELECTRONIC MEANS.

9 ~~H.~~ I. The department, for good cause, may extend the time for making  
10 any return required by this article and may grant such reasonable additional  
11 time within which to make the return as it deems proper, but the time for  
12 filing the return shall not be extended beyond the first day of the third  
13 month next succeeding the regular due date of the return.

14 ~~I.~~ J. The department, with the approval of the attorney general, may  
15 abate small tax balances if the administration costs exceed the amount of tax  
16 due.

17 ~~J.~~ K. For the purposes of subsection D of this section, "taxpayer"  
18 means the business entity under which the business reports and pays state  
19 income taxes regardless of the number of offices at which the taxes imposed  
20 by this article, article 6 of this chapter or chapter 6, article 3 of this  
21 title are collected.

22 Sec. 11. Section 42-5015, Arizona Revised Statutes, is amended to  
23 read:

24 42-5015. Filing by electronic means

25 On or before January 1, 2015, ~~the online portal prescribed by section~~  
26 ~~42-6001 shall be modified so that~~ a taxpayer who is required to pay any  
27 transaction privilege and affiliated excise taxes to this state or a county  
28 or municipality may report and pay the required tax through ~~the online portal~~  
29 ELECTRONIC MEANS. The ~~online portal~~ ELECTRONIC SYSTEM shall be administered  
30 by the department of revenue. ~~The costs of the online portal shall be paid~~  
31 ~~by~~ THE DEPARTMENT MAY ENTER INTO AN AGREEMENT WITH the cities and towns that  
32 did not have an intergovernmental contract or agreement in effect as of  
33 January 1, 2013 with the department to provide for unified or coordinated  
34 licensing, collection and auditing programs FOR THE CITIES AND TOWNS TO  
35 CONTRIBUTE TO THE PAYMENT OF THE ELECTRONIC SYSTEM THROUGH MONEY OR  
36 RESOURCES. The ~~expanded online portal~~ ELECTRONIC SYSTEM shall:

37 1. Include a single point for licensing, filing a single return and  
38 paying transaction privilege and affiliated excise taxes for all state,  
39 county and municipal taxing jurisdictions.

40 2. Consolidate data in a manner compatible with the data systems of  
41 the department of revenue.

42 3. Capture data with sufficient specificity to meet the needs of the  
43 taxing jurisdictions.

44 4. Allow for identification of the correct taxing jurisdictions and  
45 tax rates based on the place where the transaction is sourced.



1 for ten full consecutive calendar or fiscal years after the start of initial  
2 construction.

3 6. The gross proceeds of sales or gross income from a contract to  
4 provide for one or more of the following actions, or a contract for site  
5 preparation, constructing, furnishing or installing machinery, equipment or  
6 other tangible personal property, including structures necessary to protect  
7 exempt incorporated materials or installed machinery or equipment, and  
8 tangible personal property incorporated into the project, to perform one or  
9 more of the following actions in response to a release or suspected release  
10 of a hazardous substance, pollutant or contaminant from a facility to the  
11 environment, unless the release was authorized by a permit issued by a  
12 governmental authority:

13 (a) Actions to monitor, assess and evaluate such a release or a  
14 suspected release.

15 (b) Excavation, removal and transportation of contaminated soil and  
16 its treatment or disposal.

17 (c) Treatment of contaminated soil by vapor extraction, chemical or  
18 physical stabilization, soil washing or biological treatment to reduce the  
19 concentration, toxicity or mobility of a contaminant.

20 (d) Pumping and treatment or in situ treatment of contaminated  
21 groundwater or surface water to reduce the concentration or toxicity of a  
22 contaminant.

23 (e) The installation of structures, such as cutoff walls or caps, to  
24 contain contaminants present in groundwater or soil and prevent them from  
25 reaching a location where they could threaten human health or welfare or the  
26 environment.

27 This paragraph does not include asbestos removal or the construction or use  
28 of ancillary structures such as maintenance sheds, offices or storage  
29 facilities for unattached equipment, pollution control equipment, facilities  
30 or other control items required or to be used by a person to prevent or  
31 control contamination before it reaches the environment.

32 7. The gross proceeds of sales or gross income that is derived from a  
33 contract for the installation, assembly, repair or maintenance of machinery,  
34 equipment or other tangible personal property that is either deducted from  
35 the tax base of the retail classification under section 42-5061, subsection B  
36 or that is exempt from use tax under section 42-5159, subsection B and that  
37 has independent functional utility, pursuant to the following provisions:

38 (a) The deduction provided in this paragraph includes the gross  
39 proceeds of sales or gross income derived from all of the following:

40 (i) Any activity performed on machinery, equipment or other tangible  
41 personal property with independent functional utility.

42 (ii) Any activity performed on any tangible personal property relating  
43 to machinery, equipment or other tangible personal property with independent  
44 functional utility in furtherance of any of the purposes provided for under  
45 subdivision (d) of this paragraph.

1 (iii) Any activity that is related to the activities described in  
2 ~~subdivision (a),~~ items (i) and (ii) of this ~~paragraph~~ SUBDIVISION,  
3 including, ~~but not limited to,~~ inspecting the installation of, ~~or testing,~~  
4 the machinery, equipment or other tangible personal property.

5 (b) The deduction provided in this paragraph does not include gross  
6 proceeds of sales or gross income from the portion of any contracting  
7 activity that consists of the development of, or modification to, real  
8 property in order to facilitate the installation, assembly, repair,  
9 maintenance or removal of machinery, equipment or other tangible personal  
10 property that is either deducted from the tax base of the retail  
11 classification under section 42-5061, subsection B or exempt from use tax  
12 under section 42-5159, subsection B.

13 (c) The deduction provided in this paragraph shall be determined  
14 without regard to the size or useful life of the machinery, equipment or  
15 other tangible personal property.

16 (d) For the purposes of this paragraph, "independent functional  
17 utility" means that the machinery, equipment or other tangible personal  
18 property can independently perform its function without attachment to real  
19 property, other than attachment for any of the following purposes:

20 (i) Assembling the machinery, equipment or other tangible personal  
21 property.

22 (ii) Connecting items of machinery, equipment or other tangible  
23 personal property to each other.

24 (iii) Connecting the machinery, equipment or other tangible personal  
25 property, whether as an individual item or as a system of items, to water,  
26 power, gas, communication or other services.

27 (iv) Stabilizing or protecting the machinery, equipment or other  
28 tangible personal property during operation by bolting, burying or performing  
29 other similar nonpermanent connections to either real property or real  
30 property improvements.

31 8. The gross proceeds of sales or gross income attributable to the  
32 purchase of machinery, equipment or other tangible personal property that is  
33 exempt from or deductible from transaction privilege and use tax under:

34 (a) Section 42-5061, subsection A, paragraph 25, 29 or 59.

35 (b) Section 42-5061, subsection B.

36 (c) Section 42-5159, subsection A, paragraph 13, subdivision (a), (b),  
37 (c), (d), (e), (f), (i), (j) or (l) or paragraph 54.

38 (d) Section 42-5159, subsection B.

39 9. The gross proceeds of sales or gross income received from a  
40 contract for the construction of an environmentally controlled facility for  
41 the raising of poultry for the production of eggs and the sorting, cooling  
42 and packaging of eggs.

43 10. The gross proceeds of sales or gross income that is derived from a  
44 contract entered into with a person who is engaged in the commercial  
45 production of livestock, livestock products or agricultural, horticultural,

1 viticultural or floricultural crops or products in this state for the  
2 construction, alteration, repair, improvement, movement, wrecking or  
3 demolition or addition to or subtraction from any building, highway, road,  
4 excavation, manufactured building or other structure, project, development or  
5 improvement used directly and primarily to prevent, monitor, control or  
6 reduce air, water or land pollution.

7 11. The gross proceeds of sales or gross income that is derived from  
8 the installation, assembly, repair or maintenance of clean rooms that are  
9 deducted from the tax base of the retail classification pursuant to section  
10 42-5061, subsection B, paragraph 16.

11 12. For taxable periods beginning from and after June 30, 2001, the  
12 gross proceeds of sales or gross income derived from a contract entered into  
13 for the construction of a residential apartment housing facility that  
14 qualifies for a federal housing subsidy for low income persons over sixty-two  
15 years of age and that is owned by a nonprofit charitable organization that  
16 has qualified under section 501(c)(3) of the internal revenue code.

17 13. For taxable periods beginning from and after December 31, 1996 and  
18 ending before January 1, 2017, the gross proceeds of sales or gross income  
19 derived from a contract to provide and install a solar energy device. The  
20 contractor shall register with the department as a solar energy contractor.  
21 By registering, the contractor acknowledges that it will make its books and  
22 records relating to sales of solar energy devices available to the department  
23 for examination.

24 14. The gross proceeds of sales or gross income derived from a contract  
25 entered into for the construction of a launch site, as defined in 14 Code of  
26 Federal Regulations section 401.5.

27 15. The gross proceeds of sales or gross income derived from a contract  
28 entered into for the construction of a domestic violence shelter that is  
29 owned and operated by a nonprofit charitable organization that has qualified  
30 under section 501(c)(3) of the internal revenue code.

31 16. The gross proceeds of sales or gross income derived from contracts  
32 to perform postconstruction treatment of real property for termite and  
33 general pest control, including wood destroying organisms.

34 17. The gross proceeds of sales or gross income received from contracts  
35 entered into before July 1, 2006 for constructing a state university research  
36 infrastructure project if the project has been reviewed by the joint  
37 committee on capital review before the university enters into the  
38 construction contract for the project. For the purposes of this paragraph,  
39 "research infrastructure" has the same meaning prescribed in section 15-1670.

40 18. The gross proceeds of sales or gross income received from a  
41 contract for the construction of any building, or other structure, project,  
42 development or improvement owned by a qualified business under section  
43 41-1516 for harvesting or processing qualifying forest products removed from  
44 qualifying projects as defined in section 41-1516 if actual construction  
45 begins before January 1, 2024. To qualify for this deduction, the prime

1 contractor must obtain a letter of qualification from the Arizona commerce  
2 authority before beginning work under the contract.

3 19. Any amount of the gross proceeds of sales or gross income  
4 attributable to development fees that are incurred in relation to a contract  
5 for construction, development or improvement of real property and that are  
6 paid by a prime contractor or subcontractor. For the purposes of this  
7 paragraph:

8 (a) The attributable amount shall not exceed the value of the  
9 development fees actually imposed.

10 (b) The attributable amount is equal to the total amount of  
11 development fees paid by the prime contractor or subcontractor, and the total  
12 development fees credited in exchange for the construction of, contribution  
13 to or dedication of real property for providing public infrastructure, public  
14 safety or other public services necessary to the development. The real  
15 property must be the subject of the development fees.

16 (c) "Development fees" means fees imposed to offset capital costs of  
17 providing public infrastructure, public safety or other public services to a  
18 development and authorized pursuant to section 9-463.05, section 11-1102 or  
19 title 48 regardless of the jurisdiction to which the fees are paid.

20 C. Entitlement to the deduction pursuant to subsection B, paragraph 7  
21 of this section is subject to the following provisions:

22 1. A prime contractor may establish entitlement to the deduction by  
23 both:

24 (a) Marking the invoice for the transaction to indicate that the gross  
25 proceeds of sales or gross income derived from the transaction was deducted  
26 from the base.

27 (b) Obtaining a certificate executed by the purchaser indicating the  
28 name and address of the purchaser, the precise nature of the business of the  
29 purchaser, the purpose for which the purchase was made, the necessary facts  
30 to establish the deductibility of the property under section 42-5061,  
31 subsection B, and a certification that the person executing the certificate  
32 is authorized to do so on behalf of the purchaser. The certificate may be  
33 disregarded if the prime contractor has reason to believe that the  
34 information contained in the certificate is not accurate or complete.

35 2. A person who does not comply with paragraph 1 of this subsection  
36 may establish entitlement to the deduction by presenting facts necessary to  
37 support the entitlement, but the burden of proof is on that person.

38 3. The department may prescribe a form for the certificate described  
39 in paragraph 1, subdivision (b) of this subsection. The department may also  
40 adopt rules that describe the transactions with respect to which a person is  
41 not entitled to rely solely on the information contained in the certificate  
42 provided in paragraph 1, subdivision (b) of this subsection but must instead  
43 obtain such additional information as required in order to be entitled to the  
44 deduction.

1           4. If a prime contractor is entitled to a deduction by complying with  
2 paragraph 1 of this subsection, the department may require the purchaser who  
3 caused the execution of the certificate to establish the accuracy and  
4 completeness of the information required to be contained in the certificate  
5 that would entitle the prime contractor to the deduction. If the purchaser  
6 cannot establish the accuracy and completeness of the information, the  
7 purchaser is liable in an amount equal to any tax, penalty and interest that  
8 the prime contractor would have been required to pay under article 1 of this  
9 chapter if the prime contractor had not complied with paragraph 1 of this  
10 subsection. Payment of the amount under this paragraph exempts the purchaser  
11 from liability for any tax imposed under article 4 of this chapter. The  
12 amount shall be treated as a transaction privilege tax to the purchaser and  
13 as tax revenues collected from the prime contractor in order to designate the  
14 distribution base for purposes of section 42-5029.

15           D. Subcontractors or others who perform services in respect to any  
16 improvement, building, highway, road, railroad, excavation, manufactured  
17 building or other structure, project, development or improvement are not  
18 subject to tax if they can demonstrate that the job was within the control of  
19 a prime contractor or contractors or a dealership of manufactured buildings  
20 and that the prime contractor or dealership is liable for the tax on the  
21 gross income, gross proceeds of sales or gross receipts attributable to the  
22 job and from which the subcontractors or others were paid.

23           E. Amounts received by a contractor for a project are excluded from  
24 the contractor's gross proceeds of sales or gross income derived from the  
25 business if the person who hired the contractor executes and provides a  
26 certificate to the contractor stating that the person providing the  
27 certificate is a prime contractor and is liable for the tax under article 1  
28 of this chapter. The department shall prescribe the form of the certificate.  
29 If the contractor has reason to believe that the information contained on the  
30 certificate is erroneous or incomplete, the department may disregard the  
31 certificate. If the person who provides the certificate is not liable for  
32 the tax as a prime contractor, that person is nevertheless deemed to be the  
33 prime contractor in lieu of the contractor and is subject to the tax under  
34 this section on the gross receipts or gross proceeds received by the  
35 contractor.

36           F. Every person engaging or continuing in this state in the business  
37 of prime contracting or dealership of manufactured buildings shall present to  
38 the purchaser of such prime contracting or manufactured building a written  
39 receipt of the gross income or gross proceeds of sales from such activity and  
40 shall separately state the taxes to be paid pursuant to this section.

41           G. For the purposes of section 42-5032.01, the department shall  
42 separately account for revenues collected under the prime contracting  
43 classification from any prime contractor engaged in the preparation or  
44 construction of a multipurpose facility, and related infrastructure, that is

1 owned, operated or leased by the tourism and sports authority pursuant to  
2 title 5, chapter 8.

3 H. For the purposes of section 42-5032.02, from and after September  
4 30, 2013, the department shall separately account for revenues reported and  
5 collected under the prime contracting classification from any prime  
6 contractor engaged in the construction of any buildings and associated  
7 improvements that are for the benefit of a manufacturing facility. For the  
8 purposes of this subsection, "associated improvements" and "manufacturing  
9 facility" have the same meanings prescribed in section 42-5032.02.

10 I. The gross proceeds of sales or gross income derived from a contract  
11 for lawn maintenance services are not subject to tax under this section if  
12 the contract does not include landscaping activities. Lawn maintenance  
13 service is a service pursuant to section 42-5061, subsection A, paragraph 1,  
14 and includes lawn mowing and edging, weeding, repairing sprinkler heads or  
15 drip irrigation heads, seasonal replacement of flowers, refreshing gravel,  
16 lawn de-thatching, seeding winter lawns, leaf and debris collection and  
17 removal, tree or shrub pruning or clipping, garden and gravel raking and  
18 applying pesticides, as defined in section 3-361, and fertilizer materials,  
19 as defined in section 3-262.

20 J. The gross proceeds of sales or gross income derived from  
21 landscaping activities are subject to tax under this section. Landscaping  
22 includes installing lawns, grading or leveling ground, installing gravel or  
23 boulders, planting trees and other plants, felling trees, removing or  
24 mulching tree stumps, removing other imbedded plants, building or modifying  
25 irrigation berms, repairing sprinkler or watering systems, installing  
26 railroad ties and installing underground sprinkler or watering systems.

27 K. The portion of gross proceeds of sales or gross income attributable  
28 to the actual direct costs of providing architectural or engineering services  
29 that are incorporated in a contract is not subject to tax under this section.  
30 For the purposes of this subsection, "direct costs" means the portion of the  
31 actual costs that are directly expended in providing architectural or  
32 engineering services.

33 L. Operating a landfill or a solid waste disposal facility is not  
34 subject to taxation under this section, including filling, compacting and  
35 creating vehicle access to and from cell sites within the landfill.  
36 Constructing roads to a landfill or solid waste disposal facility and  
37 constructing cells within a landfill or solid waste disposal facility may be  
38 deemed prime contracting under this section.

39 M. The following apply ~~to~~ IN DETERMINING THE TAXABLE SITUS OF SALES OF  
40 manufactured buildings:

41 1. For sales in this state where the ~~dealership of~~ manufactured  
42 ~~buildings~~ BUILDING DEALER contracts to deliver the building to a setup site  
43 or to perform the setup in this state, the taxable situs is the setup site.

44 2. For sales in this state where the ~~dealership of~~ manufactured  
45 ~~buildings~~ BUILDING DEALER does not contract to deliver the building to a



1 setup site or does not perform the setup, the taxable situs is the location  
2 of the dealership where the building is delivered to the buyer.

3 3. For sales in this state where the dealership of manufactured  
4 buildings contracts to deliver the building to a setup site that is outside  
5 this state, the situs is outside this state and the transaction is excluded  
6 from tax.

7 N. The gross proceeds of sales or gross income attributable to a  
8 ~~separate~~, written **CONTRACT FOR** design phase services ~~contract~~ or professional  
9 services ~~contract~~, executed before modification begins **AND WITH TERMS,**  
10 **CONDITIONS AND PRICING OF ALL OF THESE SERVICES SEPARATELY STATED IN THE**  
11 **CONTRACT FROM THOSE FOR CONSTRUCTION PHASE SERVICES**, is not subject to tax  
12 under this section, regardless of whether the services are provided  
13 sequential to or concurrent with prime contracting activities that are  
14 subject to tax under this section. This subsection does not include the  
15 gross proceeds of sales or gross income attributable to construction phase  
16 services. For the purposes of this subsection:

17 1. "Construction phase services" means services for the execution and  
18 completion of any modification, including the following:

19 (a) Administration or supervision of any modification performed on the  
20 project, including team management and coordination, scheduling, cost  
21 controls, submittal process management, field management, safety program,  
22 close-out process and warranty period services.

23 (b) Administration or supervision of any modification performed  
24 pursuant to a punch list. For the purposes of this subdivision, "punch list"  
25 means minor items of modification work performed after substantial completion  
26 and before final completion of the project.

27 (c) Administration or supervision of any modification performed  
28 pursuant to change orders. For the purposes of this subdivision, "change  
29 order" means a written instrument issued after execution of a contract for  
30 modification work, providing for all of the following:

31 (i) The scope of a change in the modification work, contract for  
32 modification work or other contract documents.

33 (ii) The amount of an adjustment, if any, to the guaranteed maximum  
34 price as set in the contract for modification work. For the purposes of this  
35 item, "guaranteed maximum price" means the amount guaranteed to be the  
36 maximum amount due to a prime contractor for the performance of all  
37 modification work for the project.

38 (iii) The extent of an adjustment, if any, to the contract time of  
39 performance set forth in the contract.

40 (d) Administration or supervision of any modification performed  
41 pursuant to change directives. For the purposes of this subdivision, "change  
42 directive" means a written order directing a change in modification work  
43 before agreement on an adjustment of the guaranteed maximum price or contract  
44 time.

- 1 (e) Inspection to determine the dates of substantial completion or  
2 final completion.
- 3 (f) Preparation of any manuals, warranties, as-built drawings, spares  
4 or other items the prime contractor must furnish pursuant to the contract for  
5 modification work. For the purposes of this subdivision, "as-built drawing"  
6 means a drawing that indicates field changes made to adapt to field  
7 conditions, field changes resulting from change orders or buried and  
8 concealed installation of piping, conduit and utility services.
- 9 (g) Preparation of status reports after modification work has begun  
10 detailing the progress of work performed, including preparation of any of the  
11 following:
- 12 (i) Master schedule updates.
- 13 (ii) Modification work cash flow projection updates.
- 14 (iii) Site reports made on a periodic basis.
- 15 (iv) Identification of discrepancies, conflicts or ambiguities in  
16 modification work documents that require resolution.
- 17 (v) Identification of any health and safety issues that have arisen in  
18 connection with the modification work.
- 19 (h) Preparation of daily logs of modification work, including  
20 documentation of personnel, weather conditions and on-site occurrences.
- 21 (i) Preparation of any submittals or shop drawings used by the prime  
22 contractor to illustrate details of the modification work performed.
- 23 (j) Administration or supervision of any other activities for which a  
24 prime contractor receives a certificate for payment or certificate for final  
25 payment based on the progress of modification work performed on the project.
- 26 2. "Design phase services" means services for developing and  
27 completing a design for a project that are not construction phase services,  
28 including the following:
- 29 (a) Evaluating surveys, reports, test results or any other information  
30 on-site conditions for the project, including physical characteristics, legal  
31 limitations and utility locations for the site.
- 32 (b) Evaluating any criteria or programming objectives for the project  
33 to ascertain requirements for the project, such as physical requirements  
34 affecting cost or projected utilization of the project.
- 35 (c) Preparing drawings and specifications for architectural program  
36 documents, schematic design documents, design development documents,  
37 modification work documents or documents that identify the scope of or  
38 materials for the project.
- 39 (d) Preparing an initial schedule for the project, excluding the  
40 preparation of updates to the master schedule after modification work has  
41 begun.
- 42 (e) Preparing preliminary estimates of costs of modification work  
43 before completion of the final design of the project, including an estimate  
44 or schedule of values for any of the following:

1 (i) Labor, materials, machinery and equipment, tools, water, heat,  
2 utilities, transportation and other facilities and services used in the  
3 execution and completion of modification work, regardless of whether they are  
4 temporary or permanent or whether they are incorporated in the modifications.

5 (ii) The cost of labor and materials to be furnished by the owner of  
6 the real property.

7 (iii) The cost of any equipment of the owner of the real property to  
8 be assigned by the owner to the prime contractor.

9 (iv) The cost of any labor for installation of equipment separately  
10 provided by the owner of the real property that has been designed, specified,  
11 selected or specifically provided for in any design document for the project.

12 (v) Any fee paid by the owner of the real property to the prime  
13 contractor pursuant to the contract for modification work.

14 (vi) Any bond and insurance premiums.

15 (vii) Any applicable taxes.

16 (viii) Any contingency fees for the prime contractor that may be used  
17 before final completion of the project.

18 (f) Reviewing and evaluating cost estimates and project documents to  
19 prepare recommendations on site use, site improvements, selection of  
20 materials, building systems and equipment, modification feasibility,  
21 availability of materials and labor, local modification activity as related  
22 to schedules and time requirements for modification work.

23 (g) Preparing the plan and procedures for selection of subcontractors,  
24 including any prequalification of subcontractor candidates.

25 3. "Professional services" means architect services, assayer services,  
26 engineer services, geologist services, land surveying services or landscape  
27 architect services that are within the scope of those services as provided in  
28 title 32, chapter 1 and for which gross proceeds of sales or gross income has  
29 not otherwise been deducted under subsection K of this section.

30 O. THE GROSS PROCEEDS OF SALES OR GROSS INCOME DERIVED FROM A CONTRACT  
31 WITH THE OWNER OF REAL PROPERTY OR THE PERSON OWNING THE IMPROVEMENTS TO THE  
32 REAL PROPERTY FOR THE MAINTENANCE, REPAIR, REPLACEMENT OR ALTERATION OF  
33 EXISTING PROPERTY IS NOT SUBJECT TO TAX UNDER THIS SECTION IF THE CONTRACT  
34 DOES NOT INCLUDE MODIFICATION ACTIVITIES, EXCEPT AS SPECIFIED IN THIS  
35 SUBSECTION. THE GROSS PROCEEDS OF SALES OR GROSS INCOME DERIVED FROM A DE  
36 MINIMIS AMOUNT OF MODIFICATION ACTIVITY THAT IS ESSENTIAL TO THE COMPLETION  
37 OF THE MAINTENANCE, REPAIR, REPLACEMENT OR ALTERATION CONTRACT DOES NOT  
38 SUBJECT THE ENTIRE CONTRACT TO TAX UNDER THIS SECTION. FOR THE PURPOSES OF  
39 THIS SUBSECTION, EACH CONTRACT OR PROJECT IS INDEPENDENT OF ANY OTHER  
40 CONTRACT.

41 ~~Q.~~ P. Notwithstanding subsection ~~P~~ Q, paragraph 8 of this section, a  
42 person owning real property who enters into a contract for sale of the real  
43 property, who is responsible to the new owner of the property for  
44 modifications made to the property in the period subsequent to the transfer  
45 of title and who receives a consideration for the modifications is considered

1 a prime contractor solely for purposes of taxing the gross proceeds of sale  
2 or gross income received for the modifications made subsequent to the  
3 transfer of title. The original owner's gross proceeds of sale or gross  
4 income received for the modifications shall be determined according to the  
5 following methodology:

6 1. If any part of the contract for sale of the property specifies  
7 amounts to be paid to the original owner for the modifications to be made in  
8 the period subsequent to the transfer of title, the amounts are included in  
9 the original owner's gross proceeds of sale or gross income under this  
10 section. Proceeds from the sale of the property that are received after  
11 transfer of title and that are unrelated to the modifications made subsequent  
12 to the transfer of title are not considered gross proceeds of sale or gross  
13 income from the modifications.

14 2. If the original owner enters into an agreement separate from the  
15 contract for sale of the real property providing for amounts to be paid to  
16 the original owner for the modifications to be made in the period subsequent  
17 to the transfer of title to the property, the amounts are included in the  
18 original owner's gross proceeds of sale or gross income received for the  
19 modifications made subsequent to the transfer of title.

20 3. If the original owner is responsible to the new owner for  
21 modifications made to the property in the period subsequent to the transfer  
22 of title and derives any gross proceeds of sale or gross income from the  
23 project subsequent to the transfer of title other than a delayed disbursement  
24 from escrow unrelated to the modifications, it is presumed that the amounts  
25 are received for the modifications made subsequent to the transfer of title  
26 unless the contrary is established by the owner through its books, records  
27 and papers kept in the regular course of business.

28 4. The tax base of the original owner is computed in the same manner  
29 as a prime contractor under this section.

30 ~~P.~~ Q. For the purposes of this section:

31 1. "Contracting" means engaging in business as a contractor.

32 2. "Contractor" is synonymous with the term "builder" and means any  
33 person or organization that undertakes to or offers to undertake to, or  
34 purports to have the capacity to undertake to, or submits a bid to, or does  
35 personally or by or through others, modify any building, highway, road,  
36 railroad, excavation, manufactured building or other structure, project,  
37 development or improvement, or to do any part of such a project, including  
38 the erection of scaffolding or other structure or works in connection with  
39 such a project, and includes subcontractors and specialty contractors. For  
40 all purposes of taxation or deduction, this definition shall govern without  
41 regard to whether or not such contractor is acting in fulfillment of a  
42 contract.

43 ~~4.~~ 3. "Manufactured building" means a manufactured home, mobile home  
44 or factory-built building, as defined in section 41-2142.

1           ~~3-~~ 4. "~~Dealership of~~ Manufactured ~~buildings~~ BUILDING DEALER" means a  
2 dealer who either:

3           (a) Is licensed pursuant to title 41, chapter 16 and who sells  
4 manufactured buildings to the final consumer.

5           (b) Supervises, performs or coordinates the excavation and completion  
6 of site improvements, ~~OR THE~~ setup or moving of a manufactured building  
7 including the contracting, if any, with any subcontractor or specialty  
8 contractor for the completion of the contract.

9           5. "Modification" means construction, ~~alteration, repair, addition,~~  
10 ~~subtraction,~~ improvement, movement, wreckage or demolition.

11           6. "Modify" means to construct, ~~alter, repair, add to, subtract from,~~  
12 improve, move, wreck or demolish.

13           7. "Prime contracting" means engaging in business as a prime  
14 contractor.

15           8. "Prime contractor" means a contractor who supervises, performs or  
16 coordinates the modification of any building, highway, road, railroad,  
17 excavation, manufactured building or other structure, project, development or  
18 improvement including the contracting, if any, with any subcontractors or  
19 specialty contractors and who is responsible for the completion of the  
20 contract. Except as provided in subsections E and ~~Q~~ P of this section, a  
21 person who owns real property, who engages one or more contractors to modify  
22 that real property and who does not itself modify that real property is not a  
23 prime contractor within the meaning of this paragraph regardless of the  
24 existence of a contract for sale or the subsequent sale of that real  
25 property.

26           9. "Sale of a used manufactured building" does not include a lease of  
27 a used manufactured building.

28           Sec. 13. Repeal

29           Section 42-5075, Arizona Revised Statutes, as amended by Laws 2013,  
30 chapter 255, section 15, is repealed.

31           Sec. 14. Section 42-6001, Arizona Revised Statutes, as amended by Laws  
32 2013, chapter 255, section 18, is amended to read:

33           42-6001. Collection and administration of transaction privilege  
34 tax and affiliated excise taxes; intergovernmental  
35 contract or agreement; method of payment

36           A. The department shall collect and administer any transaction  
37 privilege and affiliated excise taxes, including use tax, severance tax, jet  
38 fuel excise and use tax, and rental occupancy tax, imposed by any city or  
39 town. ~~, and~~ The department and any EACH city or town shall enter into A  
40 intergovernmental ~~contracts~~ CONTRACT or ~~agreements~~ AGREEMENT to provide a  
41 uniform method of administration, collection, audit and licensing of  
42 transaction privilege and affiliated excise taxes imposed by the state or  
43 cities or towns pursuant to title 11, chapter 7, article 3. The contract or  
44 agreement shall include criteria for the denial of a request from a city or

1 town for an audit of a taxpayer that is engaged in business in more than one  
2 city or town.

3 ~~B. The director shall enter into agreements with cities and towns of  
4 this state that levy transaction privilege and affiliated excise taxes to  
5 provide for unified or coordinated licensing, collection and auditing  
6 programs for such taxes levied by cities and towns and taxes levied pursuant  
7 to chapter 5 of this title. Cities and towns shall enter into agreements  
8 with the department to provide for unified or coordinated licensing,  
9 collection and auditing programs for transaction privilege and affiliated  
10 excise taxes levied by cities and towns and for taxes levied pursuant to  
11 chapter 5 of this title.~~

12 ~~C. The director shall establish with the cities and towns a uniform  
13 licensing, collection and audit committee to direct such unified or  
14 coordinated functions.~~

15 ~~D. A taxpayer who is required to pay any municipal transaction  
16 privilege and affiliated excise taxes to a city or town that did not have an  
17 intergovernmental contract or agreement with the department of revenue in  
18 effect as of January 1, 2013 to provide a coordinated method of collecting  
19 municipal transaction privilege and affiliated excise taxes may instead  
20 report and pay the required tax to that city or town through an online  
21 portal. The online portal shall be procured by the department of  
22 administration pursuant to a public-private partnership entered into pursuant  
23 to section 41-2559, shall include access to a single point of filing and  
24 paying the tax and shall provide security measures to protect taxpayer  
25 information. The department of revenue shall administer the portal.~~

26 ~~E.~~ B. A taxpayer that does not report and pay the required tax to a  
27 city or town ~~through the portal~~ ELECTRONICALLY shall file and pay the tax to  
28 the department of revenue if the department has developed the electronic and  
29 nonelectronic tools necessary to capture data with sufficient specificity to  
30 meet the needs of all taxing jurisdictions, including specific data regarding  
31 each tax classification and any corresponding deductions at each business  
32 location of the taxpayer.

33 Sec. 15. Section 42-6002, Arizona Revised Statutes, as amended by Laws  
34 2013, chapter 255, section 19, is amended to read:

35 42-6002. Administration; procedures for levy, collection and  
36 enforcement applicable to cities and towns

37 A. UNLESS THE CONTEXT OTHERWISE REQUIRES, CHAPTER 1 AND CHAPTER 5,  
38 ARTICLE 1 OF THIS TITLE GOVERN THE ADMINISTRATION OF THE MUNICIPAL PRIVILEGE  
39 TAXES LEVIED BY A CITY OR TOWN.

40 ~~A.~~ B. The procedures for levy, collection and enforcement of payment  
41 of transaction privilege and affiliated excise taxes, including use tax,  
42 severance tax, jet fuel excise and use tax, and rental occupancy tax, levied  
43 by a city or town shall be in the same manner as authorized by chapter 5 of  
44 this title. THIS SUBSECTION DOES NOT PRECLUDE A CITY OR TOWN FROM LEVYING A

1 TRANSACTION PRIVILEGE, SALES, USE OR OTHER SIMILAR TAX AS A RESULT OF A  
2 PERSON'S BUSINESS ACTIVITIES AS PROVIDED IN ARTICLES 1 AND 2 OF THIS CHAPTER.

3 ~~B.~~ C. An intergovernmental contract or agreement entered into  
4 pursuant to section 42-6001, subsection A shall include the following  
5 provisions:

6 1. All audits shall be conducted in accordance with standard audit  
7 procedures defined in the department of revenue audit manual.

8 2. All auditors shall be trained in accordance with the policies of  
9 the department.

10 3. AN AUDITOR THAT IS TRAINED AND AUTHORIZED TO CONDUCT AN AUDIT MAY  
11 NOT REPRESENT ANY TAXPAYER IN ANY TAX MATTER.

12 ~~3.~~ 4. Except as provided in paragraph ~~4~~ 5 of this subsection, the  
13 audit of a taxpayer that has locations in two or more cities or towns shall  
14 be conducted by the department.

15 ~~4.~~ 5. All audits shall include all taxing jurisdictions in this state  
16 regardless of which jurisdiction conducts the audit. A city or town may  
17 conduct an audit of any taxpayer that is engaged in business in only one city  
18 or town and any other taxpayer authorized by the department.

19 ~~5.~~ 6. The department shall issue all audit assessments on behalf of  
20 all taxing jurisdictions in a single notice to the taxpayer.

21 ~~6.~~ 7. Appeals of audit assessments shall be directed to the  
22 department.

23 8. APPEALS OF AUDIT ASSESSMENTS SHALL BE ADMINISTERED PURSUANT TO  
24 CHAPTER 1, ARTICLE 6 OF THIS TITLE.

25 ~~7.~~ 9. The department shall notify all affected cities and towns  
26 before entering into any compromise, closing, settlement or other agreement  
27 with a person related to the tax levied and imposed by the cities and towns.

28 Sec. 16. Section 42-6004, Arizona Revised Statutes, as amended by Laws  
29 2013, first regular session, chapter 27, section 2, chapter 120, section 2,  
30 chapter 153, section 2 and chapter 236, section 6 and Laws 2013, first  
31 special session, chapter 9, section 8, is amended to read:

32 42-6004. Exemption from municipal tax

33 A. A city, town or special taxing district shall not levy a  
34 transaction privilege, sales, use or other similar tax on:

35 1. Exhibition events in this state sponsored, conducted or operated by  
36 a nonprofit organization that is exempt from taxation under section  
37 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if the  
38 organization is associated with a major league baseball team or a national  
39 touring professional golfing association and no part of the organization's  
40 net earnings inures to the benefit of any private shareholder or individual.

41 2. Interstate telecommunications services, which include that portion  
42 of telecommunications services, such as subscriber line service, allocable by  
43 federal law to interstate telecommunications service.

44 3. Sales of warranty or service contracts.

- 1           4. Sales of motor vehicles to nonresidents of this state for use  
2 outside this state if the ~~vendor~~ MOTOR VEHICLE DEALER ships or delivers the  
3 motor vehicle to a destination outside this state.
- 4           5. Interest on finance contracts.
- 5           6. Dealer documentation fees on the sales of motor vehicles.
- 6           7. Sales of food or other items purchased with United States  
7 department of agriculture food stamp coupons issued under the food stamp act  
8 of 1977 (P.L. 95-113; 91 Stat. 958) or food instruments issued under section  
9 17 of the child nutrition act (P.L. 95-627; 92 Stat. 3603; P.L. 99-661,  
10 section 4302; 42 United States Code section 1786) but may impose such a tax  
11 on other sales of food. If a city, town or special taxing district exempts  
12 sales of food from its tax or imposes a different transaction privilege rate  
13 on the gross proceeds of sales or gross income from sales of food and nonfood  
14 items, it shall use the definition of food prescribed by rule adopted by the  
15 department pursuant to section 42-5106.
- 16           8. Orthodontic devices dispensed by a dental professional who is  
17 licensed under title 32, chapter 11 to a patient as part of the practice of  
18 dentistry.
- 19           9. Sales of internet access services to the person's subscribers and  
20 customers. For the purposes of this paragraph:
- 21           (a) "Internet" means the computer and telecommunications facilities  
22 that comprise the interconnected worldwide network of networks that employ  
23 the transmission control protocol or internet protocol, or any predecessor or  
24 successor protocol, to communicate information of all kinds by wire or radio.
- 25           (b) "Internet access" means a service that enables users to access  
26 content, information, electronic mail or other services over the internet.  
27 Internet access does not include telecommunication services provided by a  
28 common carrier.
- 29           10. The gross proceeds of sales or gross income retained by the Arizona  
30 exposition and state fair board from ride ticket sales at the annual Arizona  
31 state fair.
- 32           11. Through August 31, 2014, sales of Arizona centennial medallions by  
33 the historical advisory commission.
- 34           12. Leasing real property between affiliated companies, businesses,  
35 persons or reciprocal insurers. For the purposes of this paragraph:
- 36           (a) "Affiliated companies, businesses, persons or reciprocal insurers"  
37 means the lessor holds a controlling interest in the lessee, the lessee holds  
38 a controlling interest in the lessor, an affiliated entity holds a  
39 controlling interest in both the lessor and the lessee or an unrelated person  
40 holds a controlling interest in both the lessor and lessee.
- 41           (b) "Controlling interest" means direct or indirect ownership of at  
42 least eighty per cent of the voting shares of a corporation or of the  
43 interests in a company, business or person other than a corporation.
- 44           (c) "Reciprocal insurer" has the same meaning prescribed in section  
45 20-762.



1           13. The gross proceeds of sales or gross income derived from a contract  
2 for the installation, assembly, repair or maintenance of machinery, equipment  
3 or other tangible personal property described in section 42-5061, subsection  
4 B and that has independent functional utility, pursuant to the following  
5 provisions:

6           (a) The deduction provided in this paragraph includes the gross  
7 proceeds of sales or gross income derived from all of the following:

8           (i) Any activity performed on machinery, equipment or other tangible  
9 personal property with independent functional utility.

10           (ii) Any activity performed on any tangible personal property relating  
11 to machinery, equipment or other tangible personal property with independent  
12 functional utility in furtherance of any of the purposes provided for under  
13 subdivision (d) of this paragraph.

14           (iii) Any activity that is related to the activities described in  
15 ~~subdivision (a),~~ items (i) and (ii) of this ~~paragraph~~ **SUBDIVISION**,  
16 ~~including, but not limited to,~~ inspecting the installation of, ~~or testing,~~  
17 the machinery, equipment or other tangible personal property.

18           (b) The deduction provided in this paragraph does not include gross  
19 proceeds of sales or gross income from the portion of any contracting  
20 activity that consists of the development of, or modification to, real  
21 property in order to facilitate the installation, assembly, repair,  
22 maintenance or removal of machinery, equipment or other tangible personal  
23 property described in section 42-5061, subsection B.

24           (c) The deduction provided in this paragraph shall be determined  
25 without regard to the size or useful life of the machinery, equipment or  
26 other tangible personal property.

27           (d) For the purposes of this paragraph, "independent functional  
28 utility" means that the machinery, equipment or other tangible personal  
29 property can independently perform its function without attachment to real  
30 property, other than attachment for any of the following purposes:

31           (i) Assembling the machinery, equipment or other tangible personal  
32 property.

33           (ii) Connecting items of machinery, equipment or other tangible  
34 personal property to each other.

35           (iii) Connecting the machinery, equipment or other tangible personal  
36 property, whether as an individual item or as a system of items, to water,  
37 power, gas, communication or other services.

38           (iv) Stabilizing or protecting the machinery, equipment or other  
39 tangible personal property during operation by bolting, burying or performing  
40 other dissimilar nonpermanent connections to either real property or real  
41 property improvements.

42           14. The leasing or renting of certified ignition interlock devices  
43 installed pursuant to the requirements prescribed by section 28-1461. For  
44 the purposes of this paragraph, "certified ignition interlock device" has the  
45 same meaning prescribed in section 28-1301.

1           15. Computer data center equipment purchased by the owner, operator or  
2 qualified colocation tenant of the computer data center or an authorized  
3 agent of the owner, operator or qualified colocation tenant during the  
4 qualification period for use in a computer data center that is certified by  
5 the Arizona commerce authority under section 41-1519. To qualify for this  
6 deduction, at the time of purchase, the owner, operator or qualified  
7 colocation tenant must present to the retailer its certificate that is issued  
8 pursuant to section 41-1519 and that establishes its qualification for the  
9 deduction. For the purposes of this paragraph, "computer data center",  
10 "computer data center equipment", "qualification period" and "qualified  
11 colocation tenant" have the same meanings prescribed in section 41-1519.

12           16. THE GROSS PROCEEDS OF SALES OR GROSS INCOME DERIVED FROM A CONTRACT  
13 WITH THE OWNER OF REAL PROPERTY OR THE PERSON OWNING THE IMPROVEMENTS TO THE  
14 REAL PROPERTY FOR THE MAINTENANCE, REPAIR, REPLACEMENT OR ALTERATION OF  
15 EXISTING PROPERTY IS NOT SUBJECT TO TAX UNDER THIS SECTION IF THE CONTRACT  
16 DOES NOT INCLUDE MODIFICATION ACTIVITIES, EXCEPT AS SPECIFIED IN THIS  
17 PARAGRAPH. THE GROSS PROCEEDS OF SALES OR GROSS INCOME DERIVED FROM A DE  
18 MINIMIS AMOUNT OF MODIFICATION ACTIVITY THAT IS ESSENTIAL TO THE COMPLETION  
19 OF THE MAINTENANCE, REPAIR, REPLACEMENT OR ALTERATION CONTRACT DOES NOT  
20 SUBJECT THE ENTIRE CONTRACT TO TAX UNDER THIS SECTION. FOR THE PURPOSES OF  
21 THIS PARAGRAPH, EACH CONTRACT OR PROJECT IS INDEPENDENT OF ANY OTHER  
22 CONTRACT.

23           B. A city, town or other taxing jurisdiction shall not levy a  
24 transaction privilege, sales, use, franchise or other similar tax or fee,  
25 however denominated, on natural gas or liquefied petroleum gas used to propel  
26 a motor vehicle.

27           C. A city, town or other taxing jurisdiction shall not levy a  
28 transaction privilege, sales, gross receipts, use, franchise or other similar  
29 tax or fee, however denominated, on gross proceeds of sales or gross income  
30 derived from any of the following:

31           1. A motor carrier's use on the public highways in this state if the  
32 motor carrier is subject to a fee prescribed in title 28, chapter 16,  
33 article 4.

34           2. Leasing, renting or licensing a motor vehicle subject to and ~~upon~~  
35 **ON** which the fee has been paid under title 28, chapter 16, article 4.

36           3. The sale of a motor vehicle and any repair and replacement parts  
37 and tangible personal property becoming a part of such motor vehicle to a  
38 motor carrier who is subject to a fee prescribed in title 28, chapter 16,  
39 article 4 and who is engaged in the business of leasing, renting or licensing  
40 such property.

41           4. Incarcerating or detaining in a privately operated prison, jail or  
42 detention facility prisoners who are under the jurisdiction of the United  
43 States, this state or any other state or a political subdivision of this  
44 state or of any other state.

1           5. Transporting for hire persons, freight or property by light motor  
2 vehicles subject to a fee under title 28, chapter 15, article 4.

3           6. Any amount attributable to development fees that are incurred in  
4 relation to the construction, development or improvement of real property and  
5 paid by the taxpayer as defined in the model city tax code or by a contractor  
6 providing services to the taxpayer. For the purposes of this paragraph:

7           (a) The attributable amount shall not exceed the value of the  
8 development fees actually imposed.

9           (b) The attributable amount is equal to the total amount of  
10 development fees paid by the taxpayer or by a contractor providing services  
11 to the taxpayer and the total development fees credited in exchange for the  
12 construction of, contribution to or dedication of real property for providing  
13 public infrastructure, public safety or other public services necessary to  
14 the development. The real property must be the subject of the development  
15 fees.

16           (c) "Development fees" means fees imposed to offset capital costs of  
17 providing public infrastructure, public safety or other public services to a  
18 development and authorized pursuant to section 9-463.05, section 11-1102 or  
19 title 48 regardless of the jurisdiction to which the fees are paid.

20           D. A city, town or other taxing jurisdiction shall not levy a  
21 transaction privilege, sales, use, franchise or other similar tax or fee,  
22 however denominated, in excess of one-tenth of one per cent of the value of  
23 the entire product mined, smelted, extracted, refined, produced or prepared  
24 for sale, profit or commercial use, on persons engaged in the business of  
25 mineral processing, except to the extent that the tax is computed on the  
26 gross proceeds or gross income from sales at retail.

27           E. In computing the tax base, any city, town or other taxing  
28 jurisdiction shall not include in the gross proceeds of sales or gross  
29 income:

30           1. A manufacturer's cash rebate on the sales price of a motor vehicle  
31 if the buyer assigns the buyer's right in the rebate to the retailer.

32           2. The waste tire disposal fee imposed pursuant to section 44-1302.

33           F. A city or town shall not levy a use tax on the storage, use or  
34 consumption of tangible personal property in the city or town by a school  
35 district or charter school.

36           Sec. 17. Repeal

37           Section 42-6004, Arizona Revised Statutes, as amended by Laws 2013,  
38 chapter 255, section 20, is repealed.

39           Sec. 18. Repeal

40           Section 42-6009, Arizona Revised Statutes, is repealed.

41           Sec. 19. Section 42-6056, Arizona Revised Statutes, is amended to  
42 read:

43           42-6056. Municipal tax hearing office

44           A. A municipal tax hearing office is established. The hearing office  
45 shall hear all reviews of petitions for hearing or redetermination under the

1 model city tax code for cities and towns not in the state collection system  
2 AS OF JANUARY 1, 2013 and for appeals from supplementary audits performed by  
3 cities and towns under the state collection system FOR ALL AUDITS AND  
4 ASSESSMENTS INITIATED BY A CITY OR TOWN PRIOR TO JANUARY 1, 2015. ALL  
5 MATTERS INITIATED BY A CITY OR TOWN FROM AND AFTER JANUARY 1, 2015 SHALL BE  
6 SUBJECT TO REVIEW PURSUANT TO SECTION 42-6002.

7 B. The municipal tax code commission shall confirm within sixty days  
8 all hearing officers appointed to the municipal tax hearing office.

9 C. The municipal tax hearing office shall submit at least quarterly a  
10 report of the office's activities to the municipal tax code commission.

11 D. The cost of the municipal tax hearing office shall be funded by the  
12 cities and towns in a manner determined pursuant to an intergovernmental  
13 agreement or contract as provided in section 11-952.

14 Sec. 20. Refunds; definitions

15 A. For tax periods ending before January 1, 2015, claims for credit or  
16 refund of municipal privilege tax shall be made to the tax collector of the  
17 city or town to which the tax was originally paid.

18 B. A claim for credit or refund of municipal transaction privilege tax  
19 filed with the tax collector is valid for purposes of filing if the claim is  
20 in writing, identifies the claimant by name and the claimant's address and  
21 tax identification number and provides the amount of credit or refund  
22 requested, the specific tax period involved and the specific grounds for the  
23 claim.

24 C. If a credit or refund claim is valid under subsection B of this  
25 section, the tax collector shall not refuse to process the claim or require  
26 the claimant to refile the credit or refund claim. If the tax collector  
27 refuses to process or requires refile of a credit or refund claim that is  
28 valid under subsection B of this section:

29 1. For purposes of the limitation period, the credit or refund claim  
30 is deemed received on the date the original filing was received by the tax  
31 collector, notwithstanding the tax collector's refusal to process or  
32 requirement to refile the claim.

33 2. The claimant may treat the tax collector's refusal to process or  
34 requirement to refile as a denial of the credit or refund claim by filing a  
35 petition for hearing regarding the refusal to process or requirement to  
36 refile under the administrative review provisions of the model city tax code  
37 or state law, as applicable. The claimant may file a petition for hearing at  
38 any time after the refusal to process or requirement to refile the claim.

39 D. A denial of the credit or refund claim does not occur until the tax  
40 collector notifies the claimant in writing that:

41 1. The claim for credit or refund has been denied and the reasoning  
42 for the denial.

43 2. The notice constitutes a denial of the credit or refund claim that  
44 triggers the deadline for filing a petition for hearing under the  
45 administrative review provisions of the model city tax code or state law, as

1 applicable. The time limitation for filing an administrative appeal does not  
2 begin until the tax collector issues the notification.

3 E. Any request by the tax collector for additional information to  
4 process the credit or refund claim must be reasonably related to the credit  
5 or refund claim. The tax collector may not require a claimant to provide any  
6 report or information that is not required to be maintained in the normal  
7 course of business under the record keeping requirements of the model city  
8 tax code. Except for information reasonably necessary to substantiate a  
9 customer's exemption claim, the tax collector shall not require a claimant to  
10 provide any information relating to the claimant's specific customers,  
11 whether or not the claimant collected the tax from customers by separately  
12 stated itemization. The tax collector may not impose unreasonable time  
13 limits for a claimant to respond to any valid request for a report or  
14 information. The tax collector shall grant a claimant's reasonable request  
15 for one or more extensions to provide any requested report or information.  
16 Any denial of the request must state in writing that:

17 1. The claim for credit or refund has been denied and the reason for  
18 the denial.

19 2. The notice constitutes a denial of the credit or refund claim that  
20 triggers the deadline for filing a petition for hearing under the  
21 administrative review provisions of the model city tax code or state law, as  
22 applicable.

23 F. The tax collector may not condition a credit or refund on the  
24 claimant's remittance of the credit or refund to customers, whether or not  
25 the tax was collected by separately stated itemization. Tax paid on an  
26 activity that is not subject to tax or that qualifies for an exemption,  
27 deduction, exclusion or credit is not excess collected tax.

28 G. Interest on a credit or refund for overpaid municipal transaction  
29 privilege tax shall be paid to the claimant at the rate and in the manner  
30 prescribed by section 42-1123, subsection A, Arizona Revised Statutes.  
31 Interest on a refund or credit claim shall be computed from the date the  
32 claim is filed.

33 H. A claimant that is ultimately determined to be entitled to a credit  
34 or refund of municipal transaction privilege tax may be awarded by order of a  
35 court, board or hearing officer reasonable fees and other costs relating to  
36 the administrative processing or administrative appeal of the credit or  
37 refund claim if the tax collector's position was not substantially justified  
38 or was brought for the purpose of harassing the claimant, frustrating the  
39 credit or refund process or delaying the credit or refund.

40 I. If a discrepancy occurs between this section and any provision of  
41 the model city tax code, this section applies.

42 J. For the purposes of this section:

43 1. "Claimant" means a taxpayer that has paid the municipal transaction  
44 privilege tax that is the subject of the credit or refund claim. Unless the  
45 taxpayer has granted a customer a power of attorney to pursue a credit or

1 refund claim on the taxpayer's behalf, claimant does not include any customer  
2 of that taxpayer, whether or not the claimant collected the tax from  
3 customers by separately stated itemization.

4 2. "Model city tax code" means the model city tax code as defined in  
5 section 42-6051, Arizona Revised Statutes, and its appendices and  
6 regulations, as adopted in the city or town and includes the specific state  
7 law incorporated in the model city tax code and the interpretation of state  
8 law.

9 3. "Municipal transaction privilege tax" means a municipal transaction  
10 privilege tax, municipal privilege license tax or municipal transaction  
11 privilege license tax, municipal use tax or similar excise tax that is  
12 imposed by the tax collector.

13 4. "Reasonable fees and other costs" means fees and other costs that  
14 are based on prevailing market rates for the kind and quality of the  
15 furnished services, not to exceed the amounts actually paid for expert  
16 witnesses, the cost of any study, analysis, report, test, project or computer  
17 program that is found to be necessary to prepare the claimant's case and  
18 necessary fees for attorneys or other representatives.

19 5. "Tax collector" means the municipal tax collector or the department  
20 of revenue if it is acting as the tax collector for those cities and towns in  
21 the state collection program, as applicable under the model city tax code and  
22 its appendices.

23 Sec. 21. Appeals

24 Reviews of petitions for hearing or redetermination under the model  
25 city tax code for cities and towns that did not have an intergovernmental  
26 contract or agreement with the department of revenue in effect as of January  
27 1, 2013 to provide a coordinated method of collecting municipal privilege tax  
28 that relates to liabilities established before January 1, 2015 must be heard  
29 by the municipal hearing office established under section 42-6056, Arizona  
30 Revised Statutes, as amended by this act.

31 Sec. 22. License renewal notices

32 From and after September 30, 2014, the department of revenue shall mail  
33 a single notice for the annual license renewal prescribed by section 42-5005,  
34 Arizona Revised Statutes, as amended by this act, to existing license  
35 holders. The renewal notice must include license renewals for state  
36 transaction privilege and municipal privilege and affiliated taxes.

37 Sec. 23. Department of revenue; exemption from rulemaking

38 The department of revenue is exempt from the rulemaking requirements of  
39 title 41, chapter 6, Arizona Revised Statutes, for the purpose of  
40 implementing this act.

41 Sec. 24. Retroactivity

42 A. Section 42-2003, Arizona Revised Statutes, as amended by Laws 2013,  
43 first special session, chapter 9, section 3 and Laws 2013, first regular  
44 session, chapter 40, section 2, chapter 114, section 6 and chapter 222,

1 section 3 and this act, applies retroactively to from and after September 12,  
2 2013.

3 B. Section 42-2003, Arizona Revised Statutes, as amended by Laws 2013,  
4 chapter 255, section 2 and this act, applies retroactively to from and after  
5 September 12, 2013.

6 Sec. 25. Conditional repeal; notice

7 A. Section 42-6056, Arizona Revised Statutes, as amended by this act,  
8 is repealed upon issuance of the final decision promulgated by the municipal  
9 tax hearing office.

10 B. The department of revenue shall notify in writing the director of  
11 the Arizona legislative council of this date.

12 Sec. 26. Effective date

13 A. Sections 35-142 and 41-132, Arizona Revised Statutes, as amended by  
14 this act, are effective from and after September 30, 2014.

15 B. Sections 42-1125 and 42-5005, Arizona Revised Statutes, as amended  
16 by this act, are effective from and after December 31, 2014.

17 C. Section 42-2003, Arizona Revised Statutes, as amended by Laws 2013,  
18 chapter 255, section 2 and this act, section 42-2075, Arizona Revised  
19 Statutes, as amended by Laws 2013, chapter 255, section 4 and this act,  
20 section 42-5009, Arizona Revised Statutes, as amended by Laws 2013, chapter  
21 40, section 3 and this act, section 42-5014, Arizona Revised Statutes, as  
22 amended by Laws 2013, chapter 255, section 7 and this act, section 42-5075,  
23 Arizona Revised Statutes, as amended by Laws 2013, first regular session,  
24 chapter 153, section 1 and Laws 2013, first special session, chapter 9,  
25 section 6 and this act, section 42-6001, Arizona Revised Statutes, as amended  
26 by Laws 2013, chapter 255, section 18 and this act, section 42-6002, Arizona  
27 Revised Statutes, as amended by Laws 2013, chapter 255, section 19 and this  
28 act, and section 42-6004, Arizona Revised Statutes, as amended by Laws 2013,  
29 first regular session, chapter 27, section 2, chapter 120, section 2, chapter  
30 153, section 2 and chapter 236, section 6 and Laws 2013, first special  
31 session, chapter 9, section 8 and this act, are effective from and after  
32 December 31, 2014.

33 D. The repeal of section 42-6009, Arizona Revised Statutes, by this  
34 act is effective from and after December 31, 2014.

35 E. Sections 20, 21 and 22 of this act are effective from and after  
36 December 31, 2014.