House Engrossed Senate Bill

State of Arizona
Senate
Fifty-third Legislature
Second Regular Session
2018

CHAPTER 338

SENATE BILL 1293

AN ACT


(TEXT OF BILL BEGINS ON NEXT PAGE)
Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 5-401, Arizona Revised Statutes, is amended to read:

5-401. Definitions
In this chapter, unless the context otherwise requires:
1. "Adjusted gross receipts" means the receipts remaining after deducting the monies paid for prizes from gross receipts.
2. "Applicant" means a person, a group of persons or an organization that submits an application to the licensing authority for a license required under this chapter.
3. "Assistant" means a person who is not a manager, supervisor or proceeds coordinator, who assists in conducting bingo games and who is designated as an assistant in the application for a license.
4. "Auxiliary" means a formally organized body formed for the purpose of assisting a qualified organization in accomplishing its primary purposes and recognized by a licensee in writing to the licensing authority as the licensee for the purposes of this chapter.
5. "Charitable organization" means any organization including not more than one auxiliary of the organization, not for pecuniary profit, which is operated for charitable purposes within this state and which has been so engaged for two years prior to making application for a license under this article.
6. "Chartered branch or lodge or chapter of a national or state organization" means any branch or lodge or chapter of a national or state qualified organization.
7. "Equipment" means the receptacle and numbered objects drawn from it, the master board upon which such objects are placed as drawn, the cards or sheets bearing numbers or other designations to be covered and the objects used to cover them, the board or signs, however operated, used to announce or display the numbers or designations as they are drawn, the public address system, and all other articles essential to the operation, conduct and playing of bingo.
8. "Fraternal organization" means any organization within this state, except college and high school fraternities, not for pecuniary profit, which is a branch or lodge or chapter of a national or state organization and exists for the common business, brotherhood or other interests of its members and which national or state organization has so existed for two years in Arizona prior to making application for a license under this article. Fraternal organization shall also include not more than one auxiliary of such organization.
9. "Gross receipts" means the total of the following:
   (a) The receipts from the sale of shares, tickets or rights in any manner connected with participation in a game of bingo or the right to participate therein, including any admission fee, charge for cards, daubers or other devices, the sale of equipment or supplies and all other
miscellaneous receipts, excluding sales of food or beverages or other products which are not required to play bingo games.

(b) Interest collected on the special account or interest bearing accounts established pursuant to section 5-407.

10. "Homeowners association" means a nonprofit corporation or association that is established to own, lease or manage common, limited access lots, parcels, areas, grounds or streets of a real estate development and that has continuously engaged in those activities in this state for at least two years immediately before applying for a license.

11. "Lawful purposes" means the expenditure of net proceeds of a game of bingo exclusively by a licensee for the purposes of carrying out its mission and its aims or for the purpose of charity.

12. "Lawful use" means the devotion of the entire net proceeds of a game of bingo exclusively to a lawful purpose or to lawful purposes.

13. "License" means a license issued by the licensing authority pursuant to this article.

14. "Licensee" means any person or qualified organization to which a license has been issued by the licensing authority.

15. "Licensing authority" means the department of revenue.

16. "Local governing body" means the governing body of a city or town or the board of supervisors of the county for locations outside a city or town.

17. "Manager" means a person who has overall responsibility for conducting bingo games by a licensee and is designated as a manager in the application for a license.

18. "Member" means an individual who has qualified for membership in a qualified organization or its auxiliary pursuant to its bylaws, articles of incorporation, charter, rules or similar written instrument and who has been a member in good standing for at least two years.

19. "Net proceeds" means the receipts less such expenses, charges, fees and deductions as are specifically authorized under this article.

20. "New member" means an individual who has qualified and been approved by the appropriate parent organization or state or national organization for membership in a qualified organization including auxiliaries pursuant to its bylaws, articles of incorporation, charter, rules or similar written instrument and who has been a member in good standing for at least thirty days but less than two years.

21. "Occasion" means a gathering at which bingo games are played.

22. "Person" means a natural person, firm, association, corporation or other legal entity.

23. "Premises" means any room, hall, building, enclosure or outdoor area used for the purpose of playing a game of bingo. Premises shall not be subdivided to provide multiple premises.
24. "Proceeds coordinator" means a person who has primary responsibility for the use of bingo game proceeds in accordance with law and for all checks issued from bingo game proceeds and is designated as the proceeds coordinator in the application for a license.

25. "Qualified organization" means a homeowners association or any bona fide charitable, fraternal, religious, social, as described in section 43-1201, paragraph 7, veterans' ORGANIZATION or volunteer fire fighters FIREFIGHTERS organization, or nonprofit ambulance service as defined in section 41-1831 or any chartered branch or lodge or chapter of such national or state organization which operates without profit to its members and which has been in existence continuously for a period of two years in Arizona immediately before applying for a license under this article, and may include not more than one identified auxiliary of any such organization.

26. "Religious organization" means any organization, church, body of communicants or group, not for pecuniary profit, gathered in common membership for regular worship and religious observances and which organization has been so gathered or united for two years prior to making application for a license under this article. Religious organization shall also include not more than one auxiliary of the organization.

27. "Reporting period" means the applicable reporting period prescribed in section 5-413.

28. "Revocation" means the disciplinary termination of bingo license activity.

29. "Supervisor" means a person who is primarily responsible for the conduct of bingo games on each occasion including the supervision of all activities and the making of any report required by the licensing authority for the occasion.

30. "Suspension" means the disciplinary termination of bingo license activity for a period of less than five years.

31. "Veterans' organization" means any congressionally chartered organization within this state, or any branch, lodge or chapter of a national or state organization within this state, not for pecuniary profit, the membership of which consists of individuals who were members of the armed services or forces of the United States, which has been in existence for two years prior to making application for a license under this article. Veterans' organization shall also include not more than one auxiliary of such organization.

32. "Volunteer fire fighters VOLUNTEER FIREFIGHTERS organization" means any organization within this state, not for pecuniary profit, established pursuant to title 48, chapter 5 which has been in existence continuously for two years immediately before applying for a license under this article.
Sec. 2. Section 10-11202, Arizona Revised Statutes, is amended to read:

10-11202. Sale of assets other than in regular course of activities

A. On the terms and conditions and for the consideration determined by the corporation’s board of directors, a corporation may sell, lease, exchange or otherwise dispose of all or substantially all of its property, with or without the goodwill, other than in the usual and regular course of its activities.

B. For a proposed transaction to be approved, all of the following shall have occurred:
   1. The board of directors shall approve the transaction. If the members of the corporation are entitled to vote on the proposed transaction, the board of directors shall submit the proposed transaction for approval by its members and shall recommend the proposed transaction to the members, unless the board of directors determines that because of a conflict of interest or other special circumstances it should not make a recommendation and communicates the basis for its determination to the members with the plan.
   2. If the members of the corporation are entitled to vote on the proposed transaction, the members entitled to vote on the proposed transaction shall approve the proposed transaction.
   3. Each person whose approval is required by the articles of incorporation for the sale, lease, exchange or other disposal shall approve the proposed transaction in writing.
   C. The board of directors may condition its submission of the proposed transaction on any basis.
   D. If the corporation submits the transaction for member action at a membership meeting, the corporation shall notify each member to which the proposed transaction is to be submitted for approval of the proposed membership meeting in accordance with section 10-3705. The notice shall state that the purpose or one of the purposes of the meeting is to consider the proposed transaction and shall contain or be accompanied by a copy or summary of a description of the transaction.
   E. Unless chapters 24 through 40 of this title, the articles of incorporation or the board of directors acting pursuant to subsection C of this section—requires a greater vote or voting by class, a majority of the votes cast or a majority of the voting power of the class, whichever is less, shall approve the proposed transaction to be authorized.
   F. At any time before consummation of the sale, lease, exchange or other disposition of property, the transaction may be abandoned, subject to any contractual rights, without further action by the members or any other person who approved the transaction, in accordance with the procedure set forth in the resolution proposing the transaction or, if none is set forth, in the manner determined by the board of directors.
G. A transaction that constitutes a distribution is governed by sections 10-11301 and 10-11302 and not by this section.

H. Except as provided in subsection K of this section and chapter 35.1 of this title, any person who intends to purchase, lease or otherwise acquire all or substantially all of the assets of a tax-exempt TAX-EXEMPT corporation described in section 43-1201, paragraph 4 501(c)(3) OF THE INTERNAL REVENUE CODE OF 1986, or all or substantially all of the assets located in this state of a tax-exempt TAX-EXEMPT foreign corporation described in section 501(c)(3) of the internal revenue code of 1986 and is conducting affairs in this state, shall comply with subsection B of this section before such a purchase, lease or acquisition if either:

1. The person is a tax-exempt TAX-EXEMPT organization described in section 43-1201, paragraph 4 or section 501(c)(3) of the internal revenue code of 1986 but intends to use in an unrelated trade or business, determined by applying section 43-1201, paragraph 4 or section 513(a) of the internal revenue code of 1986 to such organization, any substantial portion of the assets to be acquired which were not being used in an unrelated trade or business of the corporation or foreign corporation conveying the assets immediately before the proposed purchase, lease or acquisition.

2. The person is not a tax-exempt TAX-EXEMPT organization described in section 43-1201, paragraph 4 or section 501(c)(3) of the internal revenue code of 1986.

I. A person subject to the requirements of subsection H of this section shall give public notice of the intended transaction in accordance with subsection J of this section and shall hold a public hearing on the intended transaction no less than ten days after the first publication of the notice and no less than ten days before the intended purchase, lease or acquisition occurs. The sole purpose of the public hearing is to receive public comment regarding the proposed transaction. The public hearing shall be held before at least two representatives of the person intending to purchase, lease or otherwise acquire the assets of the corporation or foreign corporation and at least two representatives of the corporation or foreign corporation.

J. Notice of the intended transaction shall include the time, date and place of the public hearing, the names of the parties to the transaction, a general summary of the intended transaction, a general description of the assets to be purchased, leased or otherwise acquired and a general description of the intended use of the assets after the completion of the transaction. The notice shall be published three consecutive times in a newspaper of general circulation in the county of the known place of business of the corporation or foreign corporation from which the assets are intended to be purchased, leased or otherwise acquired. The first notice shall be published no less than twenty days before the intended purchase, lease or acquisition occurs.
K. The requirements of subsections I and J of this section do not apply to the purchase, lease or other acquisition of assets under this section from a domestic or foreign corporation as provided in this section if any of the following applies:

1. The transaction involves assets having a book value at the time of the transaction, net of accumulated depreciation, of less than two million dollars.

2. The transaction is in the usual course of business of the transferor or in connection with the mortgage or pledge of any or all property and assets of the corporation or foreign corporation whether or not in its usual and regular course of business.

3. The transferor has assets immediately prior to such transaction, with a book value of more than ten million dollars, net of accumulated depreciation.

4. The transaction is to enable the transferor to finance the purchase of assets or to refinance assets already owned by it, or if, after the transaction has been completed, the transferor continues to have possession of the assets purchased, leased or otherwise acquired or used in the usual and regular course of its business.

5. The transferor offers goods or services only to members who are entitled to vote for its board of directors.

6. The transferor is organized for religious purposes and does not have, as a substantial portion of its business, the offering of goods or services on a regular basis to the public for remuneration.

7. The purchase, lease or sale of assets as described in subsection A of this section by the United States, this state, a political subdivision of this state or an agency or instrumentality of such a governmental entity.

8. The purchase, lease or sale of assets as described in subsection A of this section by a hospital, medical, dental or optometric service corporation licensed pursuant to title 20, chapter 4, article 3.

L. For the purposes of subsection K, paragraph 6 of this section:

1. Goods and services shall include, but are not limited to, medical, hospital, dental or counseling or social services offered on a regular basis to the public for remuneration.

2. A transferor organized for religious purposes includes a corporation or foreign corporation that controls or is controlled directly or indirectly by a corporation or foreign corporation organized for religious purposes.

M. The exemption provided by subsection K, paragraph 7 of this section does not apply to a corporation or foreign corporation that provides services to or operates assets of such a governmental entity pursuant to a lease or contract.
Sec. 3. Section 10-11251, Arizona Revised Statutes, is amended to read:

10-11251. Definitions
In this chapter, unless the context otherwise requires:
1. "Assets" means all real, personal, tangible and intangible property and rights in property, including cash, buildings, equipment, investments and contracts with other entities.
2. "Community benefit activity" means any activity furthering community benefit purposes including any health care activity that includes education, prevention, promotion of community health, indigent care or any other charitable purpose.
3. "Community benefit assets" means every asset that has been used in connection with community benefit activity during the previous year.
4. "Community benefit organization" means a nonprofit charitable organization that is tax exempt under section 501(c)(3) of the internal revenue code and whose mission is solely to engage in community benefit activities.
5. "Community benefit purposes" means those purposes for which an entity may qualify for exemption pursuant to section 43-1201, paragraph 4 or section 501(c)(3) of the internal revenue code, or for similar activity engaged in by a for profit organization.
6. "Community health center" means a primary care facility that provides medical care in medically underserved areas as designated in section 36-2352 or in medically underserved areas or medically underserved populations as designated by the United States department of health and human services.
7. "Nonprofit health care entity" means a licensed hospital or community health center that holds tax exempt status pursuant to section 43-1201, paragraph 4 or section 501(c)(3) of the internal revenue code.
8. "Notice of completion" means the written notice that is sent by the hearing officer to the chairman of the corporation commission after the hearing officer holds a public hearing and files a summary report pursuant to section 10-11253.

Sec. 4. Section 13-3301, Arizona Revised Statutes, is amended to read:

13-3301. Definitions
In this chapter, unless the context otherwise requires:
1. "Amusement gambling" means gambling involving a device, game or contest which is played for entertainment if all of the following apply:
   (a) The player or players actively participate in the game or contest or with the device.
   (b) The outcome is not in the control to any material degree of any person other than the player or players.
(c) The prizes are not offered as a lure to separate the player or players from their money.

(d) Any of the following:

(i) No benefit is given to the player or players other than an immediate and unrecorded right to replay which is not exchangeable for value.

(ii) The gambling is an athletic event and no person other than the player or players derives a profit or chance of a profit from the money paid to gamble by the player or players.

(iii) The gambling is an intellectual contest or event, the money paid to gamble is part of an established purchase price for a product, no increment has been added to the price in connection with the gambling event and no drawing or lottery is held to determine the winner or winners.

(iv) Skill and not chance is clearly the predominant factor in the game and the odds of winning the game based upon chance cannot be altered, provided the game complies with any licensing or regulatory requirements by the jurisdiction in which it is operated, no benefit for a single win is given to the player or players other than a merchandise prize which has a wholesale fair market value of less than ten dollars or coupons which are redeemable only at the place of play and only for a merchandise prize which has a fair market value of less than ten dollars and, regardless of the number of wins, no aggregate of coupons may be redeemed for a merchandise prize with a wholesale fair market value of greater than five hundred fifty dollars.

2. "Conducted as a business" means gambling that is engaged in with the object of gain, benefit or advantage, either direct or indirect, realized or unrealized, but not when incidental to a bona fide social relationship.

3. "Crane game" means an amusement machine which is operated by player controlled buttons, control sticks or other means, or a combination of the buttons or controls, which is activated by coin insertion into the machine and where the player attempts to successfully retrieve prizes with a mechanical or electromechanical claw or device by positioning the claw or device over a prize.

4. "Gambling" or "gamble" means one act of risking or giving something of value for the opportunity to obtain a benefit from a game or contest of chance or skill or a future contingent event but does not include bona fide business transactions which are valid under the law of contracts including contracts for the purchase or sale at a future date of securities or commodities, contracts of indemnity or guarantee and life, health or accident insurance.

5. "Player" means a natural person who participates in gambling.
6. "Regulated gambling" means either:
   (a) Gambling conducted in accordance with a tribal-state gaming compact or otherwise in accordance with the requirements of the Indian gaming regulatory act of 1988 (P.L. 100-497; 102 Stat. 2467; 25 United States Code sections 2701 through 2721 and 18 United States Code sections 1166 through 1168); or
   (b) Gambling to which all of the following apply:
      (i) It is operated and controlled in accordance with a statute, rule or order of this state or of the United States.
      (ii) All federal, state or local taxes, fees and charges in lieu of taxes have been paid by the authorized person or entity on any activity arising out of or in connection with the gambling.
      (iii) If conducted by an organization which is exempt from taxation of income under section 43-1201, subsection 501 OF THE INTERNAL REVENUE CODE, the organization's records are open to public inspection.
      (iv) Beginning on June 1, 2003, none of the players is under twenty-one years of age.

7. "Social gambling" means gambling that is not conducted as a business and that involves players who compete on equal terms with each other in a gamble if all of the following apply:
   (a) No player receives, or becomes entitled to receive, any benefit, directly or indirectly, other than the player's winnings from the gamble.
   (b) No other person receives or becomes entitled to receive any benefit, directly or indirectly, from the gambling activity, including benefits of proprietorship, management or unequal advantage or odds in a series of gambles.
   (c) Until June 1, 2003, none of the players is below the age of majority. Beginning on June 1, 2003, none of the players is under twenty-one years of age.
   (d) Players "compete on equal terms with each other in a gamble" when no player enjoys an advantage over any other player in the gamble under the conditions or rules of the game or contest.

Sec. 5. Section 13-3302, Arizona Revised Statutes, is amended to read:

13-3302. Exclusions
   A. The following conduct is not unlawful under this chapter:
      1. Amusement gambling.
      2. Social gambling.
      3. Regulated gambling if the gambling is conducted in accordance with the statutes, rules or orders governing the gambling.
      4. Gambling that is conducted at state, county or district fairs and that complies with section 13-3301, paragraph 1, subdivision (d).
   B. An organization that has qualified for an exemption from taxation of income under section 43-1201, subsection A, paragraph 1, 2, 4,
5, 6, 7, 10 or 11 501 OF THE INTERNAL REVENUE CODE may conduct a raffle that is subject to the following restrictions:

1. The nonprofit organization shall maintain this status and no member, director, officer, employee or agent of the nonprofit organization may receive any direct or indirect pecuniary benefit other than being able to participate in the raffle on a basis equal to all other participants.

2. The nonprofit organization has been in existence continuously in this state for a five-year FIVE-YEAR period immediately before conducting the raffle.

3. No person except a bona fide local member of the sponsoring organization may participate directly or indirectly in the management, sales or operation of the raffle.

4. Nothing in Paragraph 1 or 3 of this subsection prohibits:
   (a) A licensed general hospital, a licensed special hospital or a foundation established to support cardiovascular medical research that is exempt from taxation of income under section 43-1201, subsection A, paragraph 4 or section 501(c)(3) of the internal revenue code from contracting with an outside agent who participates in the management, sales or operation of the raffle if the proceeds of the raffle are used to fund medical research, graduate medical education or indigent care and the raffles are conducted no more than three times per calendar year. The maximum fee for an outside agent shall not exceed fifteen percent of the net proceeds of the raffle.
   (b) An entity that is exempt from taxation of income under section 43-1201, subsection A, paragraph 4 or section 501(c)(3) of the internal revenue code and that has at least a twenty-year history of providing comprehensive services to prevent child abuse and to provide services and advocacy for victims of child abuse from contracting with an outside agent who participates in the management, sales or operation of the raffle if the proceeds of the raffle are used to provide comprehensive services to prevent child abuse and to provide services and advocacy for victims of child abuse and the raffles are conducted no more than three times per calendar year. The maximum fee for an outside agent shall not exceed fifteen percent of the net proceeds of the raffle.

C. A state, county or local historical society designated by this state or a county, city or town to conduct a raffle may conduct the raffle subject to the following conditions:

1. No member, director, officer, employee or agent of the historical society may NOT receive any direct or indirect pecuniary benefit other than being able to participate in the raffle on a basis equal to all other participants.

2. The historical society must have been in existence continuously in this state for a five-year FIVE-YEAR period immediately before conducting the raffle.
3. No A person, except FOR a bona fide local member of the sponsoring historical society, may NOT participate directly or indirectly in the management, sales or operation of the raffle.

D. A nonprofit organization that is a booster club, a civic club or a political club or political organization that is formally affiliated with and recognized by a political party in this state may conduct a raffle that is subject to the following restrictions:
   1. No A member, director, officer, employee or agent of the club or organization may NOT receive any direct or indirect pecuniary benefit other than being able to participate in the raffle on a basis equal to all other participants.
   2. No A person, except FOR a bona fide local member of the sponsoring club or organization, may NOT participate directly or indirectly in the management, sales or operation of the raffle.
   3. The maximum annual benefit that the club or organization receives for all raffles is ten thousand dollars.
   4. The club or organization is organized and operated exclusively for pleasure, recreation or other nonprofit purposes and no part of the club's or organization's net earnings inures to the personal benefit of any member, director, officer, employee or agent of the club or organization.

Sec. 6. Section 13-3311, Arizona Revised Statutes, is amended to read:

13-3311. Amusement gambling intellectual contests or events; registration; filing of rules; sworn statement; exceptions

A. Before any person conducts an amusement gambling intellectual contest or event pursuant to section 13-3301, paragraph 1, subdivision (d), item (iii), the person shall register with the attorney general's office. The registration shall include:
   1. The name and address of the person conducting the contest or event.
   2. The minimum dollar amount of all prizes to be awarded.
   3. The duration of the event.
   4. The statutory agent or person authorized to accept service of process in Arizona for the person conducting the contest or event.
   5. All rules governing the contest or event, including the rules applicable in case of a tie.
   6. The name and description of the product and the established purchase price for the product.

B. Within ten days following the award of all prizes in connection with an amusement gambling intellectual contest or event, the person conducting the contest or event shall file with the attorney general's office the names and addresses of all persons who have won prizes in connection with the contest or event.
C. For each amusement gambling intellectual contest or event held, the person conducting the event shall file with the attorney general's office a sworn statement under oath that no increment has been added to the established purchase price for the product in connection with the gambling event.

D. This section does not apply to organizations that have qualified for an exemption from taxation of income under section 43-1201, paragraph 1, 2, 4, 5, 6, 7, 10 or 11 501 OF THE INTERNAL REVENUE CODE or to academic competitions conducted by school districts or charter schools that award cash, prizes or scholarships to participants.

Sec. 7. Section 20-117, Arizona Revised Statutes, is amended to read:

20-117. Definitions

In this title, unless the context otherwise requires:

1. "Health care services organization" has the same meaning prescribed in section 20-1051.

2. "Private passenger motor vehicle" means any vehicle that is rated or insured under a family automobile policy, standard automobile policy, personal automobile policy or similar private passenger automobile policy written for personal use, including use by an insured of a motor vehicle in the course of the insured's volunteer work for a tax-exempt organization as described in section 43-1201, paragraph 4 501(c)(3) OF THE INTERNAL REVENUE CODE, as opposed to a motor vehicle rated or insured under a commercial automobile policy.

3. "Volunteer work" means work performed without compensation other than reimbursement of actual expenses incurred, or disbursement of meals or other incidental benefits.

Sec. 8. Section 20-1104, Arizona Revised Statutes, is amended to read:

20-1104. Insurable interest with respect to personal insurance; definition

A. Any individual of competent legal capacity may procure or effect an insurance contract upon his own life or body for the benefit of any person. But no person shall procure or cause to be procured any insurance contract upon the life or body of another individual unless the benefits under such contract are payable to the individual insured or his personal representatives, or to a person having, at the time when the contract was made, an insurable interest in the individual insured.

B. If the beneficiary, assignee or other payee under any contract made in violation of this section receives from the insurer any benefits thereunder accruing upon the death, disablement or injury of the individual insured, the individual insured or his executor or administrator, as the case may be, may maintain an action to recover such benefits from the person so receiving them.
C. "Insurable interest" with reference to personal insurance includes only interests as follows:

1. In the case of individuals related closely by blood or by law, a substantial interest engendered by love and affection.

2. In the case of other persons, a lawful and substantial economic interest in having the life, health or bodily safety of the individual insured continue, as distinguished from an interest which would arise only by, or would be enhanced in value by, the death, disablement or injury of the individual insured.

3. An individual party to a contract or option for the purchase or sale of an interest in a business partnership or firm, or of shares of stock of a closed corporation or of an interest in the shares, has an insurable interest in the life of each individual party to the contract and for the purposes of the contract only, in addition to any insurable interest which may otherwise exist as to the life of the individual.

4. A charitable organization as provided in section 43-1201, paragraph 4 of THE INTERNAL REVENUE CODE, which has a policy ownership interest has an insurable interest in the life of each proposed insured who joins with the charitable organization in applying for a life insurance policy naming the charitable organization as owner and irrevocable beneficiary.

Sec. 9. Section 20-1631, Arizona Revised Statutes, is amended to read:

20-1631. Definition of motor vehicle; cancellation of or failure to renew coverage; limitations; limitation of liability; exceptions; insurance producers; definitions

A. In this article, unless the context otherwise requires, "motor vehicle" means a licensed land, motor-driven vehicle but does not mean:

1. A private passenger or station wagon type vehicle used as a public or livery conveyance or rented to others.

2. Any other four-wheel motor vehicle of a load capacity of fifteen hundred pounds or less that is used in the business of transporting passengers for hire, used in business primarily to transport property or equipment, used as a public or livery conveyance or rented to others.

3. Any motor vehicle with a load capacity of more than fifteen hundred pounds.

4. From and after February 29, 2016, a vehicle that otherwise qualifies as a motor vehicle under this subsection but only while the driver of the vehicle is logged in to a transportation network company's digital network or software application to be a driver or is providing transportation network services, unless expressly covered by the private passenger policy.

B. A motor vehicle used as a public or livery conveyance or rented to others does not include a motor vehicle used in the course of volunteer
work for a tax-exempt organization as described in section 43-1201, subsection A, paragraph 4 501(c)(3) OF THE INTERNAL REVENUE CODE.

C. An insurer shall not cancel or refuse to renew a motor vehicle insurance policy solely because of the location of residence, age, race, color, religion, sex, national origin or ancestry of anyone who is an insured, except that an insurer may refuse to renew a motor vehicle insurance policy if a named insured establishes a primary residence in a state other than Arizona.

D. An insurer shall not issue a motor vehicle insurance policy in this state unless the cancellation and renewal conditions of the policy or the endorsement on the policy includes the limitations required by this section. After a policy issued in this state has been in effect for sixty days, or if the policy is a renewal, effective immediately, the company shall not exercise its right to cancel the insurance afforded under the policy unless:

1. The named insured fails to discharge when due any of the obligations of the named insured in connection with the payment of premium for this policy or any installment of the premium.

2. The insurance was obtained through fraudulent misrepresentation.

3. The named insured, any person who resides in the same household as the named insured and customarily operates a motor vehicle insured under the policy or any other person who regularly and frequently operates a motor vehicle insured under the policy:
   (a) Has had the person's driver license suspended or revoked during the policy period.
   (b) Develops a permanent disability, either physically or mentally, and such individual does not produce a certificate from a physician or a registered nurse practitioner testifying to such person's ability to operate a motor vehicle.
   (c) Is or has been convicted during the thirty-six months immediately preceding the effective date of the policy or during the policy period of:
      (i) Criminal negligence resulting in death, homicide or assault and arising out of the operation of a motor vehicle.
      (ii) Operating a motor vehicle while in an intoxicated condition or while under the influence of drugs.
      (iii) Leaving the scene of an accident.
      (iv) Making false statements in an application for a driver license.
      (v) Reckless driving.

4. The insurer is placed in rehabilitation or receivership by the insurance supervisory official in its state of domicile or by a court of competent jurisdiction or the director has suspended the insurer's certificate of authority based on its financially hazardous condition.
5. The named insured, any person who resides in the same household as the named insured and customarily operates a motor vehicle insured under the policy or any other person who regularly and frequently operates a motor vehicle insured under the policy uses a motor vehicle rated or insured under the policy as a private passenger motor vehicle regularly and frequently for commercial purposes.

6. From and after February 29, 2016, the named insured, any person who resides in the same household as the named insured and who customarily operates a motor vehicle insured under the policy or who regularly and frequently operates a motor vehicle insured under the policy uses a motor vehicle rated or insured under the policy to provide transportation network services unless, while the driver is logged in to the transportation network company's digital network or software application to be a driver or is providing transportation network services, the named insured either:
   (a) Has procured an endorsement to the private passenger policy that expressly provides such coverage.
   (b) Is covered by a motor vehicle liability insurance policy issued by another insurer expressly providing such coverage.

7. The director determines that the continuation of the policy would place the insurer in violation of the laws of this state or would jeopardize the solvency of the insurer.

E. An insurer may nonrenew a motor vehicle insurance policy if the insurer complies with the requirements of this article. An insurer shall provide notice of a nonrenewal to the named insured as prescribed by section 20-1632. A named insured who disputes the nonrenewal of the named insured's policy may file an objection with the director pursuant to section 20-1633.

F. The company shall not cancel the insurance when a person other than the named insured has violated subsection D, paragraph 3 of this section, if the named insured in writing agrees to exclude as insured the person by name when operating a motor vehicle and further agrees to exclude coverage to the named insured for any negligence that may be imputed by law to the named insured arising out of the maintenance, operation or use of a motor vehicle by the excluded person. The written agreement that excludes coverage under a policy for a named individual is effective for each renewal of the policy by the insurer and remains in effect until the insurer agrees in writing to provide coverage for the named individual who was previously excluded from coverage.

G. This article does not apply to any policy that has been in effect less than sixty days at the time notice of cancellation is mailed or delivered by the insurer unless the policy is a renewal policy, or to policies:
   1. Insuring any motor vehicle other than a private passenger motor vehicle as defined in section 20-117.
2. Insuring the motor vehicle hazard of garages, motor vehicle sales agencies, repair shops, service stations or public parking places.

3. Providing insurance only on an excess basis.

H. If a consumer purchases motor vehicle insurance coverage from an insurance producer licensed in this state, the insurance producer that owns the policy expiration shall remain the insurance producer of record for that insured. In the event the insurer terminates the insurance producer's contract, the insurance producer shall continue to provide customary services to the insured. The insurer shall provide the insurance producer with a minimum degree of authority necessary to provide customary services to the insured and shall provide the same level of compensation for these services that were in effect prior to the termination of the insurance producer contract.

I. Subsection H of this section shall not apply if one or more of the following conditions exist:

1. The insurance producer of record has had its license suspended or revoked by the department.

2. The insurance producer of record is indebted to the insurer.

3. The insured has supplied the insurer with a written request that its insurance producer of record be changed to another insurance producer of the insurer.

4. The insurance producer of record has authorized transfer of this account to another licensed insurance producer of the insurer.

5. The director has determined after a public hearing that continuation of this relationship is not in the best interest of the public.

6. The insurance producer of record is under an exclusive contract or contract requiring the insurance producer to submit all eligible business to an insurer or group of insurers under a common management.

J. Subsection H of this section shall not apply to any transaction in which the expiration of the policies is owned by the insurer.

K. Notwithstanding any law to the contrary, if an insurer chooses to renew a policy, the issuance at renewal of revised policy provisions to modify an existing policy by adding coverages or policy provisions, modifying coverages or policy provisions or eliminating coverages or policy provisions is not a nonrenewal or cancellation of the policy if the modification of a basic coverage does not eliminate the essential benefit of that basic coverage. If the modification of the basic coverage eliminates the essential benefit of the basic coverage, the director shall order the insurer to remove the modification from the policy. This subsection does not allow the insurer, without the written consent of the insured, to eliminate the basic coverages of the policy or to reduce the monetary limits of any of the basic coverages of the policy that were selected and agreed on. If an insurer chooses to renew a policy, this subsection does not limit a policyholder from continuing to renew
uninsured or underinsured motorist coverage pursuant to section 20-259.01. For the purposes of this subsection, “basic coverage” means any of the following:

1. Bodily injury coverage.
2. Property damage coverage.
3. Uninsured motorist coverage.
4. Underinsured motorist coverage.
5. Medical payments coverage.
6. Comprehensive coverage.
7. Collision coverage.

L. For the purposes of this section, fail to renew or nonrenewal does not include the issuance and delivery of a new policy within the same insurer or an insurer under the same ownership or management as the original insurer as provided in this subsection. An insurer may transfer any of its policies to an affiliated insurer. No insurer shall transfer policyholders because of their location of residence, age, race, color, religion, sex, national origin or ancestry. Transfers by an insurer pursuant to this subsection shall not be construed to permit a new unrestricted sixty-day period for cancellation or nonrenewal.

M. Except as provided in this subsection, an insurer shall not refuse to renew a policy until after August 31, 1998, based on an insured's failure to maintain membership in a bona fide association, until both the insurer and bona fide association have complied with this subsection and shall not refuse to renew any coverage continuously in effect before September 1, 1998, subject to all the following:

1. In addition to any other reason provided in this section, an insurer may refuse to renew an insurance policy issued pursuant to this article if all of the following conditions apply:
   (a) The insurer clearly discloses to the applicant and the insured in the application for insurance and insurance policy that both the payment of dues and current membership in the bona fide association are prerequisites to obtaining or renewing the insurance.
   (b) Any money paid to the bona fide association as a membership fee:
      (i) Is not used by the insurer directly or indirectly to defray any costs or expenses in connection with the sale or purchase of the insurance.
      (ii) Is set independently of any factor used by the insurer to make any judgment or determination about the eligibility of any individual, including the member, an employee of a member or a dependent of a member, to purchase or renew the insurance.
   (c) The bona fide association has filed a certification with the director verifying the eligibility of the insurer to refuse to renew an insurance policy based on membership in the bona fide association.
2. To qualify as a bona fide association pursuant to this subsection, the association shall meet all of the requirements of this paragraph. The association shall file a statement with the director at least thirty days before the commencement of the offer or sale of insurance as provided by this subsection verifying that the association meets the requirements of this paragraph. The association shall update the filing required by this paragraph at least thirty days before the effective date of any material change in the information contained in the statement, and shall file a separate notice with the director if the insurance described in the statement is no longer available through the association. The statement shall include the following information:

(a) That the association has been in active existence for at least five consecutive years immediately before the filing of the statement.

(b) That the association has been formed and maintained in good faith for purposes other than obtaining or providing insurance and does not condition membership in the association on the purchase of insurance.

(c) That the association has articles of incorporation and bylaws or other similar governing documents.

(d) That the association does not condition membership in the association or set membership fees on the eligibility of any individual, including the member, an employee of the member or a dependent of the member, to purchase or renew the insurance, or on any factor that the insurer could not lawfully consider when setting rates.

(e) That the association has a relationship with a specific insurer or insurers and identifies the insurer or insurers.

3. Membership fees collected by the bona fide association are not premiums of the insurer that issued the coverage unless the bona fide association:

(a) Uses any portion of the membership fees directly or indirectly to defray any costs or expenses in connection with the sale or purchase of the insurance.

(b) Sets or adjusts membership fees for any member of the bona fide association based on any factor used by the insurer that issues the insurance to make any judgment or determination about the eligibility of any individual, including the member, an employee of the member or a dependent of the member, to purchase or renew the insurance.

4. If the membership fees constitute premiums pursuant to paragraph 3 of this subsection, an insurer shall not refuse to renew a policy as otherwise permitted by this subsection.

N. An insurer or insurance producer shall not inquire on an application for a motor vehicle insurance policy whether the applicant, any person who resides in the same household as the applicant and customarily operates a motor vehicle to be insured under the policy, or any other person who regularly and frequently operates a motor vehicle to be insured under the policy has been nonrenewed by an insurer.
O. An insurer may issue an endorsement to a private passenger policy that expressly provides coverage for the provision of transportation network services, but that endorsement may not be treated as basic coverage as defined in subsection K of this section and any termination of the endorsement may not be treated as a modification of basic coverage. An insurer may terminate the endorsement allowed by this subsection by giving advance notice of the termination. Any notice by the insurer to the policyholder to terminate the endorsement allowed by this subsection shall be mailed to the named insured by United States mail at least forty-five days before the effective date of the termination. The notice shall include an explanation to the named insured that the further provision of transportation network services following the effective date of the termination might subject the insured to cancellation or nonrenewal of the insured's private passenger motor vehicle policy.

P. This section and section 28-4009 do not create an obligation of an insurer to offer, provide or issue a policy or an endorsement that includes coverage for any liability incurred while a transportation network company driver is logged in to the transportation network company's digital network or software application to be a driver or is providing transportation network services.

Q. For the purposes of this section, "transportation network company", "transportation network company driver" and "transportation network services" have the same meanings prescribed in section 28-9551.

Sec. 10. Section 28-2056, Arizona Revised Statutes, is amended to read:

28-2056. Transfer or registration of vehicle; collection of use tax

A. The registering officer shall collect the use tax imposed under title 42, chapter 5, article 4 AND UNDER THE MODEL CITY TAX CODE PURSUANT TO TITLE 42, CHAPTER 6, ARTICLE 2 at the time of application for a transfer of title or registration of a vehicle. The registering officer shall issue a receipt, in a form prescribed by the department, for the amount of tax paid. The registering officer shall not process an application for transfer of title or registration of any vehicle on which the use tax is imposed under title 42, chapter 5, article 4 AND UNDER THE MODEL CITY TAX CODE PURSUANT TO TITLE 42, CHAPTER 6, ARTICLE 2 until the tax is paid.

B. The department of transportation shall notify the department of revenue of taxes collected pursuant to this section. At the end of each month the department of transportation shall deposit, pursuant to sections 35-146 and 35-147, tax monies collected pursuant to this section in the state general fund.

C. THE DEPARTMENT OF REVENUE SHALL PROVIDE THE DEPARTMENT OF TRANSPORTATION WITH THE MEANS, INCLUDING USING TAX RATES APPLICABLE TO
EACH JURISDICTION LEVYING A USE TAX, TO CALCULATE THE USE TAXES REQUIRED
TO BE COLLECTED PURSUANT TO SUBSECTION A OF THIS SECTION.

Sec. 11. Section 28-4333, Arizona Revised Statutes, is amended to
read:

28-4333. Licensing requirement; exemptions
A. A new motor vehicle shall not be sold in this state unless
either the manufacturer on direct dealerships of domestic vehicles, the
importer of foreign manufactured vehicles on direct dealerships or the
distributor on indirect dealerships of either domestic or foreign vehicles
is licensed as provided in this chapter. Obtaining the license
conclusively establishes that the manufacturer, distributor or importer is
subject to the laws of this state regulating manufacturers, importers and
distributors.

B. An organization that has qualified for an exemption from
taxation of income under section 43-1201, subsection A, paragraph 1, 2, 4,
5, 6, 7, 10 or 11 501 OF THE INTERNAL REVENUE CODE may sell a donated used
motor vehicle without obtaining a license under this chapter, subject to
the following:

1. The nonprofit organization shall maintain the tax-exempt TAX-EXEMPT status until any monies received from the sale of the used
motor vehicle have been expended and a member, director, officer, employee
or agent of the nonprofit organization shall not receive any direct or
indirect pecuniary benefit from the sale of the used motor vehicle.

2. The nonprofit organization shall sell the used motor vehicle by
assignment using a licensed motor vehicle dealer.

3. Notwithstanding section 28-2058, the nonprofit organization is
not required to obtain a new certificate of title or registration for the
donated motor vehicle but shall assign the certificate of title to the
licensed motor vehicle dealer for ultimate assignment to the retail
purchaser of the motor vehicle.

4. The nonprofit organization shall maintain the motor vehicle
financial responsibility requirements prescribed by chapter 9, article 4
of this title if operating the motor vehicle including operating the motor
vehicle to the place of assignment.

5. The nonprofit organization may operate the donated motor vehicle
to the place of assignment without purchasing the one trip registration
permit required by section 28-2155.

C. Notwithstanding any other provision of this chapter, a person
who receives or does not receive consideration for providing a purchaser
the opportunity to purchase a motor vehicle from a licensed new motor
vehicle dealer at a price that does not exceed a certain amount is not
required to be licensed as a motor vehicle dealer or broker under this
chapter if the person does not participate in the negotiation of the
actual price paid, the delivery terms or any other terms related to the
purchase of the vehicle.
Sec. 12.  Section 28-4548, Arizona Revised Statutes, is amended to read:

28-4548.  Issuance of temporary registration permits by manufacturers or dealers

Notwithstanding section 28-4547, the director may furnish to licensed manufacturers or new motor vehicle dealers temporary registration permits that the manufacturer or dealer may issue if temporarily donating new motor vehicles to either of the following:

1. An organization that has qualified for an exemption from taxation of income under section 43-1201, paragraph 1, 2, 4, 5, 6, 7, 10 or 11 of the Internal Revenue Code.

2. This state or a political subdivision of this state.

Sec. 13.  Section 41-1376.01, Arizona Revised Statutes, is amended to read:

41-1376.01.  Additional powers and duties; definitions

A. In addition to the powers and duties prescribed in section 41-1376, the ombudsman-citizens aide shall appoint two assistants, one of whom shall be an attorney, to help the ombudsman-citizens aide investigate complaints relating to public access laws involving an agency and complaints and compliance with reporting requirements pursuant to this article. The assistants shall train public officials and educate the public on the rights of the public and the responsibilities of public agencies under the public access laws. The assistants shall prepare interpretive and educational materials and programs in cooperation with the ombudsman-citizens aide and shall distribute to elected or appointed public officials the public access laws and educational materials concerning the public access laws.

B. The annual report of the ombudsman-citizens aide shall include the following information about public access:

1. The number of inquiries that are received from the public, the media and government agencies.

2. The number of inquiries that are received about state agencies, county agencies, city or town agencies, school districts and other local jurisdictions.

3. The number of requests that are received concerning public records and public meetings.

4. The number of investigations that are conducted and the results of the investigations.

C. For investigations made pursuant to this section, the ombudsman-citizens aide may:

1. Make inquiries and obtain information considered necessary subject to the restrictions in section 41-1377.

2. Enter without notice to inspect agency premises with agency staff on the premises.

3. Hold hearings.
4. Notwithstanding any other law, have access to all agency records, including confidential records, except:
   (a) Sealed court records without a subpoena.
   (b) Active criminal investigation records.
   (c) Records that could lead to the identity of confidential police informants.
   (d) Attorney work product and communications that are protected under attorney-client privilege.
   (e) Confidential information as defined in section 42-2001, except as provided in section 42-2003, subsection L.
   (f) Information protected by section 6103(d), 6103(p) or 7213 of the internal revenue code.
   (g) Confidential information relating to section 36-2903, subsection I, section 36-2917, section 36-2932, subsection F or section 36-2972.
   (h) Confidential information relating to sections 36-507, 36-509 and 36-2220.
   (i) Documents that are protected by section 214 of the critical infrastructure information act of 2002 (6 United States Code section 133(a)) or by 49 Code of Federal Regulations part 1520.
   (j) Information that is protected by section 214 of the critical infrastructure information act of 2002 (6 United States Code section 133(a)) or 49 Code of Federal Regulations part 1520 or critical infrastructure information as defined by section 41-1801 on government owned facilities that are classified as critical infrastructure by the federal government or as defined by section 41-1801.

5. Issue subpoenas if necessary to compel the attendance and testimony of witnesses and the production of books, records, documents and other evidence to which the ombudsman-citizens aide may have access pursuant to paragraph 4 of this subsection. The ombudsman-citizens aide may only issue a subpoena if the ombudsman-citizens aide has previously requested testimony or evidence and the person or agency to which the request was made has failed to comply with the request in a reasonable amount of time.

D. It is contrary to the public policy of this state for any agency or any individual acting for an agency to take any adverse action against an individual in retaliation because the individual cooperated with or provided information to the ombudsman-citizens aide or the ombudsman-citizens aide's staff.

E. For the purposes of this section:
   1. "Agency" has the same meaning prescribed in section 41-1371 but includes a public body as defined in section 39-121.01, subsection A, paragraph 2.
   2. "Public access laws" means:
      (a) Title 39, chapter 1.
(b) Title 38, chapter 3, article 3.1.
(c) Any other state statute or rule governing access to public meetings or public records.

Sec. 14. Section 41-1378, Arizona Revised Statutes, is amended to read:

41-1378. Complaint; investigation; investigative authority; violation; classification

A. All complaints shall be addressed to the ombudsman-citizens aide. If an agency receives correspondence between a complainant and the ombudsman-citizens aide, it shall hold that correspondence in trust and shall promptly forward the correspondence, unopened, to the ombudsman-citizens aide.

B. Within thirty days of receipt of the complaint, the ombudsman-citizens aide shall notify the complainant of the decision to investigate or not to investigate the complaint. If the ombudsman-citizens aide decides not to investigate and if requested by the complainant, the ombudsman-citizens aide shall provide the reasons for not investigating in writing.

C. The ombudsman-citizens aide shall not charge any fees for investigations or complaints.

D. In an investigation, the ombudsman-citizens aide may:
1. Make inquiries and obtain information considered necessary subject to the restrictions in section 41-1377.
2. Enter without notice to inspect agency premises with agency staff on the premises.
3. Hold hearings.
4. Notwithstanding any other law, have access to all state agency records, including confidential records, except:
   (a) Sealed court records without a subpoena.
   (b) Active criminal investigation records.
   (c) Records that could lead to the identity of confidential police informants.
   (d) Attorney work product and communications that are protected under the attorney-client privilege.
   (e) Confidential information as defined in section 42-2001, except as provided in section 42-2003, subsection M-L.
   (f) Information protected by section 6103(d), 6103(p)(8) or 7213 of the internal revenue code.
   (g) Confidential information relating to section 36-2903, subsection I, section 36-2917, section 36-2932, subsection F or section 36-2972.
   (h) Confidential information relating to sections 36-507, 36-509 and 36-2220.
5. Issue subpoenas if necessary to compel the attendance and testimony of witnesses and the production of books, records, documents and
other evidence to which the ombudsman-citizens aide may have access pursuant to paragraph 4 of this subsection. The ombudsman-citizens aide may only issue a subpoena if the ombudsman-citizens aide has previously requested testimony or evidence and the person or agency to which the request was made has failed to comply with the request in a reasonable amount of time.

E. It is contrary to the public policy of this state for any state agency or any individual acting for a state agency to take any adverse action against an individual in retaliation because the individual cooperated with or provided information to the ombudsman-citizens aide or the ombudsman-citizens aide's staff.

F. If requested by the complainants or witnesses, the ombudsman-citizens aide shall maintain confidentiality with respect to those matters necessary to protect the identities of the complainants or witnesses. The ombudsman-citizens aide shall ensure that confidential records are not disclosed by either the ombudsman-citizens aide or staff to the ombudsman-citizens aide. The ombudsman-citizens aide shall maintain the confidentiality of an agency record. With respect to requests made pursuant to title 39, chapter 1, article 2 or other requests for information, the ombudsman-citizens aide shall maintain all records that are received from a custodial agency in the same manner as the custodial agency would if it had received the request.

G. The ombudsman-citizens aide or any staff member or other employee of the ombudsman-citizens aide who knowingly divulges or makes known in any manner not permitted by law any particulars of any record, document or information for which the law restricts disclosure is guilty of a class 5 felony.

Sec. 15. Section 42-1001, Arizona Revised Statutes, is amended to read:

42-1001. Definitions

In this title, unless the context otherwise requires:

1. "Board" or "state board" means either the state board of tax appeals or the state board of equalization, as applicable.

2. "Court" means the tax court or superior court, whichever is applicable.

3. "Department" means the department of revenue.

4. "Director" means the director of the department.

5. "Electronically send" or "send electronically" means to send by either e-mail or the use of an electronic portal.

6. "Electronic portal" means a secure location on a website established by the department that requires the receiver to enter a password to access.

7. "E-mail" means an electronic transmission of a message to an e-mail address. If the message contains confidential information then "e-mail" means the electronic transmission of a message to an e-mail address.
ADDRESS USING ENCRYPTION SOFTWARE THAT REQUIRES THE RECEIVER TO ENTER A
PASSWORD BEFORE THE MESSAGE CAN BE RETRIEVED AND VIEWED.

8. "Internal revenue code" means the United States internal
revenue code of 1986, as amended and in effect as of January 1, 2017,
including those provisions that became effective during 2016 with the
specific adoption of their retroactive effective dates but excluding all
changes to the code enacted after January 1, 2017.

Sec. 16. Section 42-1105, Arizona Revised Statutes, is amended to
read:

42-1105. Taxpayer identification, verification and records;
retention
A. The federal taxpayer identification number, assigned pursuant to
section 6109 of the internal revenue code, is the taxpayer identifier for
purposes of the taxes administered pursuant to this article. Each person
who is required to make a return, statement or other document shall
include the identifier in order to secure the person's proper
identification. If the return, statement or other document is made,
electronically or otherwise, by another person on behalf of the taxpayer,
the taxpayer shall furnish the identifier to the other person, and the
person shall furnish both the taxpayer's identifier and THE PERSON'S
own identifier with the return, statement or document.

B. The department may prescribe by administrative rule alternative
methods for signing, subscribing or verifying a return, statement or other
document required or authorized to be filed with the department that have
the same validity and consequence as the actual signature or written
declaration of the taxpayer or other person required to sign, subscribe or
verify the return, statement or other document. While the department is
adopter a rule prescribing alternative methods for signing, subscribing
or verifying a return, statement or other document, the director, by tax
ruling, may waive the requirement of a signature for a particular type or
class of return, statement or other document required to be filed with the
department. For purposes of this subsection, “tax ruling” has the same
meaning prescribed in section 42-2052.

C. A person who is a return preparer or an electronic return
preparer shall furnish a completed copy of the return, statement or other
document to the taxpayer no later than the time the return, statement or
other document is presented for the taxpayer's signature.

D. Except as provided in section 42-3010, every person who is
subject to the taxes administered pursuant to this article shall keep and
preserve copies of filed tax returns, including any attachments to the tax
return, any signature documents used for the tax return, suitable records
and other books and accounts necessary to determine the tax for which the
person is liable for the period prescribed in section 42-1104. The books,
records and accounts shall be open for inspection at any reasonable time
by the department or its authorized agent.

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E. Except as provided in section 42-3010, a return preparer or electronic return preparer shall keep copies of the return, statement or other document for six years for transaction privilege and use tax returns and four years for all other returns, statements and other documents following the date on which the return, statement or other document was due to be filed or was presented to the taxpayer for signature, whichever is later.

F. Except as provided in section 42-3010, the department may require by administrative rule electronic return preparers to keep for each prepared return, statement or other document the following documents for six years for transaction privilege and use tax returns and four years for all other returns, statements and other documents following the later of either the date on which the return, statement or other document was due to be filed with the department or was presented to the taxpayer for signature:

1. The signature document or tax return form bearing the taxpayer's original signature in a manner prescribed by the department by administrative rule or tax ruling.

2. Any attachments to the return, statement or other document required to be submitted to the department if the return, statement or other document had not been electronically transmitted to the department.

G. The operator of a swap meet, flea market, fair, carnival, festival, circus or other transient selling event shall maintain a current list of vendors conducting business on the premises as sellers. The list shall include each vendor name, business name and business address. On written notice, the department may require an operator to submit a copy of the list at any time to the department.

H. For at least the period of time prescribed by section 42-1104, the department shall retain records of any return, statement or other document, as defined in section 42-1101.01, as a record pursuant to sections 41-151.14, 41-151.15, 41-151.16, 41-151.17 and 41-151.19. Anything submitted with the return, statement or other document as defined in section 42-1101.01 that is not required, authorized or requested by the department is not part of the record and may be destroyed, unless it is, at the department's reasonable discretion, of more than de minimis value. Copies of original documents of which the department reasonably expects the taxpayer has retained any originals are presumed to be of de minimis value for purposes of this section. If the department determines that any document that is not required, authorized or requested by the department pursuant to this subsection is of more than de minimis value, within ten days after receipt the department shall notify the taxpayer in writing or by electronic means of its intent to destroy the document. If the taxpayer requests the return of any document included in the notice, the department shall immediately comply, although the director may require the taxpayer to pay any shipping costs to return the document.

Sec. 17. Section 42-1108, Arizona Revised Statutes, is amended to read:

42-1108. Audit; deficiency assessments; definition

A. If a taxpayer fails to file a return required by this title or title 43, or if the department is not satisfied with the return or payment of the amount of tax required to be paid under either title, the department may examine any return, including any books, papers, records or memoranda relating to the return, to determine the correct amount of tax. This examination must occur within the time periods prescribed by section 42-1104 and may be accomplished through a detailed review of transactions or records or by a statistically valid sampling method.

B. The department shall give the taxpayer written notice of its determination of a deficiency by mail OR AS PRESCRIBED BY SUBSECTION C OF THIS SECTION, and the deficiency, plus penalties and interest, is final forty-five days from the date of receipt of the notice to the taxpayer unless an appeal is taken to the department. For individual income tax, the period is ninety days from the date of mailing. In the case of a joint income tax return, the notice may be a single joint notice mailed to the last known address, but if either spouse notifies the department that separate residences have been established, the department shall mail duplicate originals of the joint notice to each spouse.

C. EXCEPT FOR INDIVIDUAL INCOME TAX, THE DEPARTMENT MAY ISSUE NOTICE OF ITS DETERMINATION OF A DEFICIENCY UNDER SUBSECTION B OF THIS SECTION BY USING AN ELECTRONIC PORTAL IN LIEU OF MAIL, IF ALL OF THE REQUIREMENTS OF THIS SUBSECTION ARE MET, FOR TAXABLE PERIODS BEGINNING FROM AND AFTER DECEMBER 31, 2018 OR WHEN THE DEPARTMENT ESTABLISHES THE ELECTRONIC PORTAL, WHICHER IS LATER. THE USE OF THE ELECTRONIC PORTAL IN LIEU OF MAIL IS SUBJECT TO THE FOLLOWING REQUIREMENTS AND CONDITIONS:

1. THE TAXPAYER SHALL PROVIDE AN E-MAIL ADDRESS TO THE DEPARTMENT TO RECEIVE THE WRITTEN NOTICE OF ITS DETERMINATION OF A DEFICIENCY USING THE ELECTRONIC PORTAL. THE TAXPAYER SHALL NOTIFY THE DEPARTMENT OF ANY UPDATE TO THE TAXPAYER'S E-MAIL ADDRESS.

2. THE DEPARTMENT SHALL NOTIFY THE TAXPAYER, USING THE TAXPAYER'S E-MAIL ADDRESS, ON THE SAME DAY THE NOTICE OF ITS DETERMINATION OF A DEFICIENCY IS POSTED TO THE ELECTRONIC PORTAL.

3. THE DATE OF RECEIPT FOR A NOTICE PROVIDED BY ELECTRONIC PORTAL IS THE LATER OF THE DATE THE NOTICE IS POSTED TO THE ELECTRONIC PORTAL OR THE DATE THE NOTIFICATION IS RECEIVED BY THE TAXPAYER. A NOTIFICATION SENT BY E-MAIL IS CONSIDERED TO BE RECEIVED BY THE TAXPAYER ON THE DAY IT IS SENT BY THE DEPARTMENT.
If a deficiency is determined and the assessment becomes final, the department shall mail notice and demand to the taxpayer for the payment of the deficiency. Notwithstanding section 42-1125, subsection E, the deficiency assessed is due and payable at the expiration of ten days from the date of the notice and demand.

A certificate by the department of the mailing or e-mailing of the notices specified in this section is prima facie evidence of the assessment of the deficiency and the giving of the notices.

Any amount of tax in excess of that disclosed by the return due to a nonaudit adjustment, as listed in subsection G of this section, notice of which has been mailed to the taxpayer, is not a deficiency assessment within the meaning of this section. The taxpayer may not protest or appeal as in the case of a deficiency assessment, based on such a notice, and the assessment or collection of the amount of tax erroneously omitted in the return is not prohibited by this article.

An adjustment due to any of the following is considered a nonaudit adjustment:

1. An addition, subtraction, multiplication, division or other mathematical error shown on any return.
2. The failure of the taxpayer to properly compute the tax liability based on the taxable income reported on the return.
3. An incorrect usage or selection of information for a filed return from tax tables, schedules or similar documents provided by the department if the incorrect usage is apparent from the existence of other information on the return.
4. An entry on a return that is inconsistent with an entry on a schedule, form, statement, list or other document filed with the return.
5. An omission of information required on the return to substantiate an entry.
6. An entry on a return of a deduction or credit in an amount that exceeds a statutory limit if the limit is a monetary figure, a percentage, a ratio or a fraction and the items entered into the application of this limit appear on the return, including claiming a deduction or credit that is not authorized by statute for the taxable period.
7. Missing or incorrect taxpayer identification numbers for the purposes of claiming personal exemptions, dependents or credits.
8. An entry of a credit or deduction that requires a preapproval if the credit or deduction has not been preapproved or if the entry is for more than the preapproved amount.
9. An entry of a credit or deduction amount carried forward from a prior year that is outside of the statutory period allowed for the carryforward or is for an amount that is inconsistent with the taxpayer's prior year returns.

IF A TAXPAYER THAT FILES ITS RETURN ELECTRONICALLY IS ALLOWED TO INPUT THE INFORMATION FROM A DOCUMENT INTO THE ELECTRONIC FILING PROGRAM

I. FOR THE PURPOSES OF THIS SECTION, "ELECTRONIC PORTAL" MEANS A SECURE LOCATION ON A WEBSITE ESTABLISHED BY THE DEPARTMENT THAT REQUIRES THE TAXPAYER TO ENTER A PASSWORD TO ACCESS.

Sec. 18. Section 42-1111, Arizona Revised Statutes, is amended to read:

42-1111. **Jeopardy assessments**

A. If the department believes that the collection of any assessment or deficiency of any tax administered pursuant to this article will be jeopardized by delay, it shall, whether or not the time otherwise prescribed by law for making a return and paying the tax has expired and notwithstanding other provisions of law, THE DEPARTMENT SHALL immediately mail, SEND ELECTRONICALLY or issue notice of its finding and the information on which the finding is based to the taxpayer and demand immediate payment of the tax or deficiency declared to be in jeopardy, including interest, penalties and additions.

B. Jeopardy assessments are immediately due and payable, and the department may immediately begin proceedings for collection. The taxpayer, however, may stay collection and prevent the jeopardy assessment from becoming final by filing, within ten days after the date of mailing or delivery of the notice of jeopardy assessment, or within such additional time as the department may allow, a bond or other security in such amounts as the department may deem necessary, not exceeding the amount of the assessment including interest and penalties as to which the stay is desired. The taxpayer may then proceed to appeal the assessment as provided in article 6 of this chapter.

C. If a bond or other security is not filed within the period prescribed by subsection B of this section, the department may treat the assessment as final for purposes of any collection proceedings. The taxpayer nevertheless shall be afforded the appeal rights provided in article 6 of this chapter. The filing of a petition by the taxpayer under section 42-1251, however, shall DOES not stay the department's rights to pursue any collection proceedings.

D. In any proceeding brought to enforce payment of taxes made due and payable by this section:

1. The belief of the department under subsection A of this section, whether or not made after notice to the taxpayer, is for all purposes presumptive evidence that the assessment or collection of the tax or the deficiency was in jeopardy.
2. A certificate of the department of the mailing, ELECTRONIC SENDING or issuing of the notice specified in this section is presumptive evidence that the notices were NOTICE WAS mailed, SENT or issued.

E. The taxpayer may request an expedited review of the department's action pursuant to section 42-2061.

Sec. 19. Section 42-1119, Arizona Revised Statutes, is amended to read:

42-1119. Denial of refund

A. If the department disallows any claim for refund, it shall notify the taxpayer accordingly. The department's action on the claim is final unless the taxpayer appeals to the department in writing within the time and in the manner prescribed by section 42-1251. If the department disallows interest on any claim for refund, it shall notify the taxpayer accordingly and thereafter the claim shall be treated as a claim for refund.

B. If the department fails to mail OR ELECTRONICALLY SEND notice of action on any claim for refund of tax or interest within six months after the claim is filed, the taxpayer, prior to BEFORE THE DEPARTMENT'S mailing of OR ELECTRONIC notice of action on the refund claim, may consider the claim disallowed. The taxpayer may appeal to the department for a hearing pursuant to section 42-1251.

Sec. 20. Section 42-1122, Arizona Revised Statutes, is amended to read:

42-1122. Setoff for debts to state agencies, political subdivisions and courts; revolving fund; definitions

A. The department shall establish a liability setoff program by which refunds under sections 42-1118 and 43-1072 may be used to satisfy debts that the taxpayer owes to this state, a political subdivision or a court. The program shall comply with the standards and requirements prescribed by this section.

B. If a taxpayer owes an agency, political subdivision or court a debt, the agency, political subdivision or court, by November 1 of each year, may notify the department, furnishing at least the state agency, court or program identifier, the TAXPAYER'S first name, last name, middle initial or middle name and suffix—AND social security number and any other available identification that the agency, political subdivision or court deems appropriate of the debtor as shown on the records of the agency, political subdivision or court, and the amount of the debt.

C. The department shall match the information submitted by the agency, political subdivision or court by at least two items of identification of the taxpayer with taxpayers who qualify for refunds under section 42-1118 and SHALL:

1. Notify the agency, political subdivision or court of a potential match, the taxpayer's home address and any additional taxpayer
identification numbers used by the taxpayer. Even if the taxpayer is not
entitled to a refund, the department of revenue shall provide to:

(a) The court, the clerk of the court and the department of
economic security, for child support and spousal maintenance purposes
only, the home address of a taxpayer whose debt for overdue support is
referred for setoff and any additional taxpayer identification numbers
used by the taxpayer.

(b) The court, the home address and any additional taxpayer
identification numbers used by the taxpayer whose debt for a court
obligation is referred for setoff and who is identified by the court as a
probationer on absconder status.

2. Request final agency, political subdivision or court
confirmation in writing or electronically as determined by the department
within ten days of the match and of the continuation of the debt. If the
agency, political subdivision or court fails to provide confirmation
within forty-five days after the request, the department shall release the
refund to the taxpayer.

D. An agency, political subdivision or court may submit updated
information, additions, deletions and other changes on a quarterly or more
frequent basis, at the convenience of the agency, political subdivision or
court.

E. On confirmation pursuant to subsection C, paragraph 2 of this
section, the agency or political subdivision shall notify the taxpayer, by
mail TO THE MOST RECENT PHYSICAL ADDRESS OR ELECTRONICALLY to the most
recent E-MAIL address provided by the taxpayer to the department:

1. Of the intention to set off the debt against the refund due.
2. Of the taxpayer's right to appeal to the appropriate court, or
to request a review by the agency or political subdivision pursuant to
agency or political subdivision rule, within thirty days of AFTER the
PHYSICAL OR ELECTRONIC mailing of the notice.

F. In addition, the taxpayer shall receive notice that if the
refund is intercepted in error through no fault of the taxpayer, the
taxpayer is entitled to the full refund plus interest and penalties from
the agency, political subdivision or court as provided by subsection O of
this section.

G. The basis for a request for review as provided by subsection E
of this section shall not include the validity of the claim if its
validity has been established at an agency hearing, by judicial review in
a court of competent jurisdiction in this or any other state or by final
administrative decision and shall state with specificity why the taxpayer
claims the obligation does not exist or why the amount of the obligation
is incorrect.

H. If, within thirty days of AFTER the PHYSICAL OR ELECTRONIC
mailing of the notice, the taxpayer requests a review by the agency or
political subdivision or provides the agency or political subdivision with
proof that an appeal has been taken to the appropriate court, the agency or political subdivision shall immediately notify the department and the setoff procedure shall be stayed pending resolution of the review or appeal.

I. If the department does not receive notice of a timely appeal, it shall draw and deliver a warrant in the amount of the available refund up to the amount of the debt in favor of the agency or political subdivision and notify the taxpayer of the action by PHYSICAL mail OR E-MAIL.

J. Subsections E, G, H and I of this section do not apply to a debt imposed by a court except that the taxpayer shall receive notice of the intent to set off the debt against the refund due and the right to appeal to the court that imposed the debt within thirty days of AFTER the PHYSICAL OR ELECTRONIC mailing of the notice. The basis for the request for review shall not include the validity of the claim and shall state with specificity why the taxpayer claims the obligation does not exist or why the obligation is incorrect.

K. If the setoff accounts for only a portion of the refund due, the remainder of the refund shall be sent to the taxpayer. A court shall not use this section to satisfy a judgment or payment of a fine or civil penalty until the judgment has become final or until the time to appeal the imposition of a fine or civil penalty has expired.

L. A revolving fund is established to recover and pay the cost of operating the setoff program under this section. The department may prescribe a fee to be collected from each agency, political subdivision or court utilizing the setoff procedure or from the taxpayer, and the amount shall be deposited in the fund. The amount of the fee shall reasonably reflect the actual cost of the service provided. Monies in the revolving fund are subject to legislative appropriation.

M. If agencies, political subdivisions or courts have two or more delinquent accounts for the same taxpayer, the refund may be apportioned among them pursuant to rules prescribed by the department of revenue, except that a setoff to the department of economic security for overdue support has priority over all other setoffs.

N. If the refund is insufficient to satisfy the entire debt, the remainder of the debt may be collected by the agency, political subdivision or court as provided by law or resubmitted for setoff against subsequent refunds.

O. In the case of a refund that is intercepted in error through no fault of the taxpayer under this section, the taxpayer shall be reimbursed by the agency, political subdivision or court with interest pursuant to section 42-1123. In addition, if all or part of a refund is intercepted in error due to an agency, political subdivision or court incorrectly identifying a taxpayer as a debtor through no fault of the taxpayer, the agency, political subdivision or court shall also pay the taxpayer a penalty as follows:
1. If the agency, political subdivision or court reimburses the taxpayer sixteen through one hundred eighty days after the agency, political subdivision or court receives notification that the refund was erroneously intercepted and the refund was received by the agency, political subdivision or court, the penalty is equal to ten percent of the amount of the refund that was intercepted.

2. If the agency, political subdivision or court reimburses the taxpayer one hundred eighty-one through three hundred sixty-five days after the agency, political subdivision or court receives notification that the refund was erroneously intercepted and the refund was received by the agency, political subdivision or court, the penalty is equal to fifteen percent of the amount of the refund that was intercepted.

3. If the agency, political subdivision or court fails to reimburse the taxpayer within three hundred sixty-five days after the agency, political subdivision or court receives notification that the refund was erroneously intercepted and the refund was received by the agency, political subdivision or court, the penalty is equal to twenty percent of the amount of the refund that was intercepted.

P. The time periods set forth in subsection O of this section shall be stayed during a review of an agency decision pursuant to section 25-522.

Q. Except as is reasonably necessary to accomplish the purposes of this section, the department shall not disclose under this section any information in violation of chapter 2, article 1 of this title.

R. An agency, political subdivision or court shall not enter into an agreement with a debtor for:

1. The assignment of any prospective refund to the agency, political subdivision or court in satisfaction of the debt.

2. Payment of the debt if the debt has been confirmed to the department for setoff under subsection C, paragraph 2 of this section.

S. If a tax refund is based on a joint income tax return and the department of economic security receives a written claim from the nonobligated spouse within forty-five days after the notice of a setoff for overdue child support, the setoff only applies to that portion of the refund due to the obligor. The nonobligated spouse shall provide to the department of economic security copies of both the obligated and nonobligated spouse's federal W-2 forms and evidence of estimated tax payments supporting the proportionate share of each spouse's payment of tax. The department of economic security shall retain the amount of the setoff refund due to the obligated spouse determined by a proration based on the tax payments of each spouse by estimated tax payment or tax withheld from wages.

T. For the purposes of this section:

1. "Agency" means:
(a) A department, agency, board, commission or institution of this state. Agency also means
(b) A corporation that is under contract with this state and that provides a service that would otherwise be provided by a department, agency, board, commission or institution of this state, if the contract specifically authorizes participation in the liability setoff program and the attorney general’s office has reviewed the contract and approves such authorization. The participation in the liability setoff program shall be limited to debt related to the services the corporation provides for or on behalf of this state.

2. "Court" means all courts of record, justice courts and municipal courts.

3. "Debt":
   (a) Means an amount over fifty dollars THAT IS owed to an agency, political subdivision or court by a taxpayer and may include a judgment in favor of this state or a political subdivision of this state, interest, penalties, charges, costs, fees, fines, civil penalties, surcharges, assessments, administrative charges or any other amount. Debt also
   (b) Includes monies THAT ARE owed by a taxpayer for overdue support and THAT ARE referred to the department of economic security or the clerk of the court for collection.

4. "Overdue support" means a delinquency in court ordered payments for spousal maintenance or support of a child or for spousal maintenance to the parent with whom the child is living if child support is also being enforced pursuant to an assignment or application filed under 42 United States Code section 654(6) or other applicable law.

5. "Political subdivision" means a county or an incorporated city or town in this state.

Sec. 21. Section 42-1125, Arizona Revised Statutes, is amended to read:

42-1125. Civil penalties; definition
A. If a taxpayer fails to make and file a return for a tax administered pursuant to this article on or before the due date of the return or the due date as extended by the department, unless it is shown that the failure is due to reasonable cause and not due to wilful neglect, four and one-half percent of the tax required to be shown on such return shall be added to the tax for each month or fraction of a month elapsing between the due date of the return and the date on which it is filed. The total penalty shall not exceed twenty-five percent of the tax found to be remaining due. The penalty so added to the tax is due and payable on notice and demand from the department. For the purpose of computing the penalty imposed under this subsection, the amount required to be shown as tax on a return shall be reduced by the amount of any part of the tax that is paid on or before the beginning of such month and by the amount of any credit against the tax that may be claimed on the return. If the amount
required to be shown as tax on a return is less than the amount shown as tax on such return, the penalty described in this subsection shall be applied by substituting such lower amount.

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

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

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

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

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

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

F. In the case of a deficiency, for which a determination is made of an additional amount due, that is due to negligence but without intent to defraud, the person shall pay a penalty of ten percent of the amount of the deficiency.

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

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

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

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

K. If any person who is required to file or provide an information return under this title or title 43 or who is required to file or provide a return or report under chapter 3 of this title fails to file the return or report at the prescribed time or in the manner required, or files a return or report that fails to show the information required, that person shall pay a penalty of one hundred dollars for each month or fraction of a month during which the failure continues unless it is shown that the failure is due to reasonable cause and not due to wilful neglect. The total penalties for each return or report under this subsection shall not exceed five hundred dollars.

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

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

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

O. For reporting periods beginning from and after February 28,
2011, if a taxpayer who is required under section 42-1129 to make payment
by electronic funds transfer fails to do so, that taxpayer shall pay a
penalty of five percent of the amount of the payment not made by
electronic funds transfer unless it is shown that the failure is due to
reasonable cause and not due to wilful neglect. For the reporting periods
beginning on July 1, 2015, the penalty in this subsection applies to any
taxpayer who is required under section 42-3053 to make payment by
electronic funds transfer and fails to do so unless it is shown that the
failure is due to reasonable cause and not due to wilful neglect.

P. Unless due to reasonable cause and not to wilful neglect:
1. A person who fails to provide that person's taxpayer
identification number in any return, statement or other document as
required by section 42-1105, subsection A shall pay a penalty of five
dollars for each such failure.

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

3. A person, when filing any return, statement or other document
without compensation on behalf of a taxpayer, who fails to include that
person's own taxpayer identification number and the taxpayer's
identification number is not subject to a penalty.
No other penalty under this section may be imposed if the only violation
is failure to provide taxpayer identification numbers.
Q. If a taxpayer fails to pay the full amount of estimated tax required by title 43, chapter 5, article 6, a penalty is assessed equal to the amount of interest that would otherwise accrue under section 42-1123 on the amount not paid for the period of nonpayment, not exceeding ten percent of the amount not paid. The penalty prescribed by this subsection is in lieu of any other penalty otherwise prescribed by this section and in lieu of interest prescribed by section 42-1123.

R. Beginning January 1, 2015, if a taxpayer continues in business without timely renewing a municipal privilege tax license as prescribed in section 42-5005, subsection D, a civil penalty of up to twenty-five dollars shall be added to the renewal fee for each jurisdiction.

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

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

1. The taxpayer is under audit by the department.
2. The amended return was filed on demand or request by the department.

U. In addition to other penalties provided by law, a person who knowingly and intentionally does not comply with any requirement under chapter 3 of this title relating to cigarettes TOBACCO PRODUCTS shall pay a penalty of one thousand dollars. A person who knowingly and intentionally does not pay any luxury tax that relates to cigarettes TOBACCO PRODUCTS imposed by chapter 3 of this title shall pay a penalty that is equal to ten percent of the amount of the unpaid tax.

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

1. For a first violation involving two thousand or more cigarettes, one thousand dollars.
2. For a subsequent violation involving two thousand or more cigarettes, five thousand dollars.

W. The civil penalties in this section are in addition to any civil penalty under chapter 3, article 10, 11 or 12 of this title.

X. Notwithstanding subsection A of this section: AND EXCEPT AS PROVIDED BY PARAGRAPH 2 OF THIS SUBSECTION, the penalty imposed on a taxpayer that fails to make and file a return for tax administered pursuant to chapter 5 or 6 of this title on or before the due date of the return or the due date as extended by the department, unless it is shown that the failure is due to a reasonable cause and not due to
wilful neglect, is four and one-half percent of the tax required to be
shown on the return, or twenty-five dollars, whichever is greater. The
penalty shall be added to the tax for each month or fraction of a month
elapsing between the due date of the return and the date on which it is
filed. The total penalty may not exceed twenty-five percent of the tax
found to be remaining due, or one hundred dollars, whichever is greater.

2. THE PENALTY IMPOSED ON A TAXPAYER THAT IS REQUIRED UNDER SECTION
42-5014 TO FILE ELECTRONICALLY AND THAT FAILS TO DO SO IS FIVE PERCENT OF
THE AMOUNT REQUIRED TO BE SHOWN ON THE RETURN OR TWENTY-FIVE DOLLARS,
WHICHERSOEVER IS GREATER, UNLESS THE FAILURE IS DUE TO A REASONABLE CAUSE AND
NOT DUE TO WILFUL NEGLECT.

Y. Notwithstanding subsection B of this section, the penalty
imposed on a taxpayer that fails to file a return pursuant to chapter 5 or
6 of this title on notice and demand by the department is twenty-five
percent of the tax, or one hundred dollars, whichever is greater. The
penalty is due and payable on notice and demand by the department, in
addition to any penalty prescribed by subsection A of this section, unless
it is shown that the failure is due to a reasonable cause and not due to
wilful neglect.

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

Sec. 22. Section 42-1129, Arizona Revised Statutes, is amended to
read:

42-1129. Payment of tax by electronic funds transfer
A. The department may require by rule, consistent with the state
treasurer's cash management policies, that any tax administered pursuant
to this article, except individual income tax, be paid on or before the
payment date prescribed by law in monies that are immediately available to
the state on the date of the transfer as provided by subsection B of this
section by any taxpayer that owes:

1. Twenty thousand dollars or more for any taxable year ending
before January 1, 2019.

2. Ten thousand dollars or more for any taxable year beginning from
and after December 31, 2018 through December 31, 2019.

3. Five thousand dollars or more for any taxable year beginning
from and after December 31, 2019 through December 31, 2020.

4. Five hundred dollars or more for any taxable year beginning from
and after December 31, 2020.
B. A payment in immediately available monies shall be made by electronic funds transfer, with the state treasurer's approval, that ensures the availability of the monies to this state on the date of payment.

C. A taxpayer may apply to the director, on a form prescribed by the department, for an annual waiver from the electronic payment requirement prescribed by subsection B of this section. The application must be received by the department on or before December 31. The director may grant the waiver, which may be renewed, if any of the following applies:

1. The taxpayer has no computer.
2. The taxpayer has no internet access.
3. Any other circumstance considered to be worthy by the director including the taxpayer having a sustained record of timely payments and no delinquent tax account with the department.

D. The taxpayer shall furnish evidence as prescribed by the department that an electronic payment was remitted on or before the due date.

E. A taxpayer who is required to make payment by electronic funds transfer but who fails to do so is subject to the civil penalties prescribed by section 42-1125, subsection O.

F. A failure to make a timely payment in immediately available monies as prescribed pursuant to this section is subject to the civil penalties prescribed by section 42-1125, subsection D.

Sec. 23. Section 42-1205, Arizona Revised Statutes, is amended to read:

42-1205. Notice and sale of seized property
A. Except as otherwise provided in this section, the notice of sale and sale of property seized by the department under this article shall be conducted in the manner and the time provided in title 12, chapter 9, article 7, relating to the sale of property under execution.
B. Real property may be redeemed in the manner provided by title 12, chapter 8, article 11.
C. The department shall notify the taxpayer of the date, time and location of the sale of his property or right to property with a description of the property or right to property to be sold. The notice shall be given in person, left at the taxpayer's dwelling or usual place of business of such taxpayer or shall be sent by first class mail or by e-mail to such taxpayer's last known address not less than at least ten days before the day of the sale. If the property or right to property is perishable, the department shall give notice of the sale to the taxpayer in the manner and within the time limits as are reasonable considering the character and condition of the property.
Sec. 24. Section 42-2002, Arizona Revised Statutes, is amended to read:

A. A person, including a former employee or agent of the department or the office of administrative hearings or a person previously having an administrative duty for the department or the office of administrative hearings, who has received confidential information while an employee or agent of the department or the office of administrative hearings, while performing an administrative duty for the department or the office of administrative hearings, shall not disclose that information except as provided in this article.

B. A person who has received confidential information pursuant to an exception under section 42-2003, subsection B or H shall not disclose that information except as provided in this article.

C. Confidential information may not be disclosed relating to applications for cannabis or controlled substance tax licenses or payments under prior law.

D. Confidential information shall not be disclosed if the department determines that disclosure would seriously impair any civil or criminal tax investigation or if the disclosure would be contrary to section 6103(d), 6103(p)(8) or 7213 of the internal revenue code.

Sec. 25. Section 42-2003, Arizona Revised Statutes, as amended by Laws 2017, chapter 96, section 1, chapter 258, section 43 and chapter 340, section 2, is amended to read:

42-2003. Authorized disclosure of confidential information
A. Confidential information relating to:

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

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

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

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

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

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

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

B. Confidential information may be disclosed to:

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

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

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

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

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

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

(b) A state tax official of another state.

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

(d) An agency, official or organization of a foreign country with
responsibilities that are comparable to those listed in subdivision (a),
(b) or (c) of this paragraph.
(e) An agency, official or organization of an Indian tribal
government with responsibilities comparable to the responsibilities of the
agencies, officials or organizations identified in subdivision (a), (b) or
(c) of this paragraph.

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

7. Any person to the extent necessary for effective tax
administration in connection with:
(a) The processing, storage, transmission, destruction and
reproduction of the information.
(b) The programming, maintenance, repair, testing and procurement
of equipment for purposes of tax administration.
(c) The collection of the taxpayer's civil liability.

8. The office of administrative hearings relating to taxes
administered by the department pursuant to section 42-1101, but the
department shall not disclose any confidential information:
(a) Regarding income tax or withholding tax.
(b) On any tax issue relating to information associated with the
reporting of income tax or withholding tax.
9. The United States treasury inspector general for tax
administration for the purpose of reporting a violation of internal
revenue code section 7213A (26 United States Code section 7213A),
unauthorized inspection of returns or return information.

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

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

12. The Arizona commerce authority for its use in:
(a) Qualifying renewable energy operations for the tax incentives
under sections 42-12006, 43-1083.01 and 43-1164.01.
(b) Qualifying businesses with a qualified facility for income tax
credits under sections 43-1083.03 and 43-1164.04.
(c) Fulfilling its annual reporting responsibility pursuant to
section 41-1511, subsections U and V and section 41-1512, subsections U
and V.
(d) Certifying computer data centers for tax relief under section
41-1519.

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

14. The office of the state fire marshal for use in determining
compliance with and enforcing title 37, chapter 9, article 5.

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

16. The Arizona health care cost containment system administration
for its use in administering nursing facility provider assessments.
C. Confidential information may be disclosed in any state or federal judicial or administrative proceeding pertaining to tax administration pursuant to the following conditions:

1. One or more of the following circumstances must apply:
   (a) The taxpayer is a party to the proceeding.
   (b) The proceeding arose out of, or in connection with, determining the taxpayer's civil or criminal liability, or the collection of the taxpayer's civil liability, with respect to any tax imposed under this title or title 43.
   (c) The treatment of an item reflected on the taxpayer's return is directly related to the resolution of an issue in the proceeding.
   (d) Return information directly relates to a transactional relationship between a person who is a party to the proceeding and the taxpayer and directly affects the resolution of an issue in the proceeding.

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

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

E. The department, on the request of any person, shall provide the names and addresses of bingo licensees as defined in section 5-401, verify whether or not a person has a privilege license and number, a tobacco product distributor's license and number or a withholding license and number or disclose the information to be posted on the department's website or otherwise publicly accessible pursuant to section 42-1124, subsection F and section 42-3401.

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

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

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

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

H. The department may disclose statistical information gathered from confidential information if it does not disclose confidential information attributable to any one taxpayer. The department may disclose statistical information gathered from confidential information, even if it discloses confidential information attributable to a taxpayer, to:

1. The state treasurer in order to comply with the requirements of section 42-5029, subsection A, paragraph 3.
2. The joint legislative income tax credit review committee, the joint legislative budget committee staff and the legislative staff in order to comply with the requirements of section 43-221.

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

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

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

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

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

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

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

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

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

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

S. The department shall release to the attorney general confidential information as requested by the attorney general for purposes of determining compliance with or enforcing any of the following:

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

2. Any law relating to reduced cigarette ignition propensity standards as provided under title 37, chapter 9, article 5.

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

T. For proceedings before the department, the office of administrative hearings, the board of tax appeals or any state or federal court involving penalties that were assessed against a return preparer, an electronic return preparer or a payroll service company pursuant to section 42-1103.02, 42-1125.01 or 43-419, confidential information may be disclosed only before the judge or administrative law judge adjudicating the proceeding, the parties to the proceeding and the parties' representatives in the proceeding prior to its introduction into evidence in the proceeding. The confidential information may be introduced as evidence in the proceeding only if the taxpayer's name, the names of any dependents listed on the return, all social security numbers, the taxpayer's address, the taxpayer's signature and any attachments containing any of the foregoing information are redacted and if either:
1. The treatment of an item reflected on such return is or may be related to the resolution of an issue in the proceeding.

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

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

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

   1. Federal, state or local agencies located in this state for the purposes of enforcement of the statutes or agreements specified in subsection T of this section or for the purposes of enforcement of corresponding laws of other states.

   2. Indian tribes located in this state for the purposes of enforcement of the statutes or agreements specified in subsection T of this section.

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

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

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

   1. May only be used by the city, town or county for internal purposes.

   2. May not be disclosed to the public in any manner that does not comply with confidentiality standards established by the department. The city, town or county must agree with the department in writing that any release of confidential information that violates the confidentiality standards will result in the immediate suspension of any rights of the city, town or county to receive information under this subsection.

7. Notwithstanding any other provision of this section, the department may not disclose information provided by an online lodging
marketplace, as defined in section 42-5076, without the written consent of
the online lodging marketplace, and the information may be disclosed only
pursuant to subsection A, paragraphs 1 through 6, subsection B, paragraphs
1, 2, 7 and 8 and subsections C and D of this section. Such information:
1. Is not subject to disclosure pursuant to title 39, relating to
public records.
2. May not be disclosed to any agency of this state or of any
county, city, town or other political subdivision of this state.
Sec. 26. Section 42-2003, Arizona Revised Statutes, as amended by
Laws 2017, chapter 96, section 1, chapter 139, section 4, chapter 258,
section 43 and chapter 340, section 2, is amended to read:
42-2003. Authorized disclosure of confidential information
A. Confidential information relating to:
1. A taxpayer may be disclosed to the taxpayer, its successor in
interest or a designee of the taxpayer who is authorized in writing by the
taxpayer. A principal corporate officer of a parent corporation may
execute a written authorization for a controlled subsidiary.
2. A corporate taxpayer may be disclosed to any principal officer,
any person designated by a principal officer or any person designated in a
resolution by the corporate board of directors or other similar governing
body.
3. A partnership may be disclosed to any partner of the
partnership. This exception does not include disclosure of confidential
information of a particular partner unless otherwise authorized.
4. An estate may be disclosed to the personal representative of the
estate and to any heir, next of kin or beneficiary under the will of the
decedent if the department finds that the heir, next of kin or beneficiary
has a material interest that will be affected by the confidential
information.
5. A trust may be disclosed to the trustee or trustees, jointly or
separately, and to the grantor or any beneficiary of the trust if the
department finds that the grantor or beneficiary has a material interest
that will be affected by the confidential information.
6. Any taxpayer may be disclosed if the taxpayer has waived any
rights to confidentiality either in writing or on the record in any
administrative or judicial proceeding.
7. The name and taxpayer identification numbers of persons issued
direct payment permits may be publicly disclosed.
B. Confidential information may be disclosed to:
1. Any employee of the department whose official duties involve tax
administration.
2. The office of the attorney general solely for its use in
preparation for, or in an investigation that may result in, any proceeding
involving tax administration before the department or any other agency or
3. The department of liquor licenses and control for its use in determining whether a spirituous liquor licensee has paid all transaction privilege taxes and affiliated excise taxes incurred as a result of the sale of spirituous liquor, as defined in section 4-101, at the licensed establishment and imposed on the licensed establishments by this state and its political subdivisions.

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

5. The following agencies, officials and organizations, if they grant substantially similar privileges to the department for the type of information being sought, pursuant to statute and a written agreement between the department and the foreign country, agency, state, Indian tribe or organization:
   (a) The United States internal revenue service, alcohol and tobacco tax and trade bureau of the United States treasury, United States bureau of alcohol, tobacco, firearms and explosives of the United States department of justice, United States drug enforcement agency and federal bureau of investigation.
   (b) A state tax official of another state.
   (c) An organization of states, federation of tax administrators or multistate tax commission that operates an information exchange for tax administration purposes.
   (d) An agency, official or organization of a foreign country with responsibilities that are comparable to those listed in subdivision (a), (b) or (c) of this paragraph.
   (e) An agency, official or organization of an Indian tribal government with responsibilities comparable to the responsibilities of the agencies, officials or organizations identified in subdivision (a), (b) or (c) of this paragraph.

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

7. Any person to the extent necessary for effective tax administration in connection with:
   (a) The processing, storage, transmission, destruction and reproduction of the information.
   (b) The programming, maintenance, repair, testing and procurement of equipment for purposes of tax administration.
   (c) The collection of the taxpayer's civil liability.
8. The office of administrative hearings relating to taxes administered by the department pursuant to section 42-1101, but the department shall not disclose any confidential information:
   (a) Regarding income tax or withholding tax.
   (b) On any tax issue relating to information associated with the reporting of income tax or withholding tax.
9. The United States treasury inspector general for tax administration for the purpose of reporting a violation of internal revenue code section 7213A (26 United States Code section 7213A), unauthorized inspection of returns or return information.
10. The financial management service of the United States treasury department for use in the treasury offset program.
11. The United States treasury department or its authorized agent for use in the state income tax levy program and in the electronic federal tax payment system.
12. The Arizona commerce authority for its use in:
   (a) Qualifying renewable energy operations for the tax incentives under sections 42-12006, 43-1083.01 and 43-1164.01.
   (b) Qualifying businesses with a qualified facility for income tax credits under sections 43-1083.03 and 43-1164.04.
   (c) Fulfilling its annual reporting responsibility pursuant to section 41-1511, subsections U and V and section 41-1512, subsections U and V.
   (d) Certifying computer data centers for tax relief under section 41-1519.
13. A prosecutor for purposes of section 32-1164, subsection C.
14. The office of the state fire marshal for use in determining compliance with and enforcing title 37, chapter 9, article 5.
15. The department of transportation for its use in administering taxes, surcharges and penalties prescribed by title 28.
16. The Arizona health care cost containment system administration for its use in administering nursing facility provider assessments.
17. The department of education for the purpose of verifying income eligibility to be classified as a low-income student pursuant to section 15-2402, subsection M.
C. Confidential information may be disclosed in any state or federal judicial or administrative proceeding pertaining to tax administration pursuant to the following conditions:
   1. One or more of the following circumstances must apply:
      (a) The taxpayer is a party to the proceeding.
      (b) The proceeding arose out of, or in connection with, determining the taxpayer's civil or criminal liability, or the collection of the taxpayer's civil liability, with respect to any tax imposed under this title or title 43.
(c) The treatment of an item reflected on the taxpayer's return is directly related to the resolution of an issue in the proceeding.

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

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

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

E. The department, on the request of any person, shall provide the names and addresses of bingo licensees as defined in section 5-401, verify whether or not a person has a privilege license and number, a tobacco product distributor's license and number or a withholding license and number or disclose the information to be posted on the department's website or otherwise publicly accessible pursuant to section 42-1124, subsection F and section 42-3401.

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

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

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

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

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

H. The department may disclose statistical information gathered from confidential information if it does not disclose confidential information attributable to any one taxpayer. The department may disclose statistical information gathered from confidential information, even if it discloses confidential information attributable to a taxpayer, to:

1. The state treasurer in order to comply with the requirements of section 42-5029, subsection A, paragraph 3.
2. The joint legislative income tax credit review committee, the joint legislative budget committee staff and the legislative staff in order to comply with the requirements of section 43-221.

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

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

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

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

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

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

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

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

\section*{Q.} Except as provided in section 42-2002, subsection D, the
department of revenue shall release confidential information as requested
by the courts and clerks of the court pursuant to section 42-1122.

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

\section*{S.} The department shall release to the attorney general
confidential information as requested by the attorney general for purposes
of determining compliance with or enforcing any of the following:
1. Any public health control law relating to tobacco sales as
   provided under title 36, chapter 6, article 14.
2. Any law relating to reduced cigarette ignition propensity
   standards as provided under title 37, chapter 9, article 5.
3. Sections 44-7101 and 44-7111, the master settlement agreement
   referred to in those sections and all agreements regarding disputes under
   the master settlement agreement.

\section*{T.} For proceedings before the department, the office of
administrative hearings, the board of tax appeals or any state or federal
court involving penalties that were assessed against a return preparer, an
electronic return preparer or a payroll service company pursuant to
section 42-1103.02, 42-1125.01 or 43-419, confidential information may be
disclosed only before the judge or administrative law judge adjudicating
the proceeding, the parties to the proceeding and the parties' represenatives in the proceeding prior to its introduction into evidence
in the proceeding. The confidential information may be introduced as
evidence in the proceeding only if the taxpayer's name, the names of any
dependents listed on the return, all social security numbers, the
taxpayer's address, the taxpayer's signature and any attachments
containing any of the foregoing information are redacted and if either:
1. The treatment of an item reflected on such return is or may be
   related to the resolution of an issue in the proceeding.
2. Such a return or the return information relates or may relate to
   a transactional relationship between a person who is a party to the
   proceeding and the taxpayer that directly affects the resolution of an
   issue in the proceeding.
3. The method of payment of the taxpayer's withholding tax
   liability or the method of filing the taxpayer's withholding tax return is
   an issue for the period.
V. The department and attorney general may share the information specified in subsection S of this section with any of the following:

1. Federal, state or local agencies located in this state for the purposes of enforcement of the statutes or agreements specified in subsection S of this section or for the purposes of enforcement of corresponding laws of other states.
2. Indian tribes located in this state for the purposes of enforcement of the statutes or agreements specified in subsection S of this section.
3. A court, arbitrator, data clearinghouse or similar entity for the purpose of assessing compliance with or making calculations required by the master settlement agreement or agreements regarding disputes under the master settlement agreement, and with counsel for the parties or expert witnesses in any such proceeding, if the information otherwise remains confidential.

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

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

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

Y. Notwithstanding any other provision of this section, the department may not disclose information provided by an online lodging marketplace, as defined in section 42-5076, without the written consent of the online lodging marketplace, and the information may be disclosed only pursuant to subsection A, paragraphs 1 through 6, subsection B, paragraphs 1, 2, 7 and 8 and subsections C and D of this section. Such information:

1. Is not subject to disclosure pursuant to title 39, relating to public records.
2. May not be disclosed to any agency of this state or of any county, city, town or other political subdivision of this state.
Sec. 27. Section 42-2062, Arizona Revised Statutes, is amended to read:

42-2062. Abatement of penalties and fees; definition

A. If a taxpayer has been assessed a penalty OR FEE pursuant to section 42-1107, 42-1125, 42-1126, 43-581 or 43-582, the department, on written application by the taxpayer, shall abate the penalty OR FEE if it determines that the conduct, or lack of conduct, that caused the penalty ASSESSMENT to be imposed was due to reasonable cause and not due to wilful neglect.

B. If, before an assessment is issued, a taxpayer applies in writing requesting waiver of a penalty OR FEE that may be assessed pursuant to section 42-1107, 42-1125, 42-1126, 43-581 or 43-582, the department shall not assess that penalty OR FEE if it determines that the conduct, or lack of conduct, that would cause the imposition of the penalty ASSESSMENT was due to reasonable cause and not due to wilful neglect.

C. For the purpose of this section, and only as applied to the taxes imposed by chapter 5, articles 1 through 6 and chapter 6, article 3 of this title, "reasonable cause" includes situations in which the taxpayer had a reasonable basis to believe that the tax did not apply to the business activity or the storage, use or consumption of the taxpayer's tangible personal property in this state.

Sec. 28. Section 42-2075, Arizona Revised Statutes, is amended to read:

42-2075. Audit duration; applicability; initial audit contact

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

1. An audit of a fraudulent tax return.
2. An audit delayed as the result of the taxpayer's bankruptcy proceeding.
3. An audit in which the department has issued a letter to the taxpayer or the taxpayer's representative citing the potential imposition of the penalty described in section 42-1125, subsection C for the taxpayer's failure or refusal to provide information pursuant to the department's written request.
4. An audit involving proceedings concerning the enforcement or validity of a subpoena or subpoena duces tecum issued pursuant to section 42-1006, subsection C.
5. An audit involving a proceeding under section 42-2056.
6. An audit in which a taxpayer has filed a petition pursuant to section 43-1148, but only in relation to the effect of the petition request.
7. An audit in which the taxpayer provides a written request to extend the audit beyond the two-year period. A request for extension under this paragraph is not a substitute for a waiver of the statute of limitations pursuant to section 42-1104, subsection B, paragraph 9. However, a waiver of the statute of limitations is considered to be a written request to extend the audit beyond the two-year period under this paragraph.

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

C. For the purposes of subsection A of this section, an initial audit contact occurs:

1. For a field audit, on the date of the first meeting between the taxpayer or the taxpayer’s representative and a member of the department’s audit staff.

2. For a desk or office audit or a review conducted pursuant to section 42-1109, on the date of the first letter to the taxpayer regarding the audit or review. A letter is not considered to be regarding the audit or review if the letter is only requesting one or more of the following:
   (a) The required filing of a tax return.
   (b) A copy of the taxpayer’s federal return.
   (c) Required documents that the taxpayer failed to include with the return.
   (d) Documentation to resolve an inconsistency within the return or a discrepancy between the return and other information that is received from a third party or that is otherwise already in the department’s possession, if the adjustment of the return due to the inconsistency or discrepancy would be considered a nonaudit adjustment under section 42-1108, subsection G.
   (e) Information that was left out of the taxpayer’s return because a submitted form was incomplete.
   (f) Replacements for documents that are not legible.

Sec. 29. Section 42-2151, Arizona Revised Statutes, is amended to read:

42-2151. Providing business and employer identifiers, licenses, numbers and other forms

A. The department of revenue and the department of economic security shall cooperatively prepare and provide a single form by which any person desiring to engage in business may obtain:

1. Employer identification numbers for income tax withholding and unemployment insurance purposes.
2. Transaction privilege tax licenses.
3. Any other identification numbers and licenses deemed practical.

B. The department of revenue shall:
1. Make the form available at its office or by PHYSICAL mail OR E-MAIL.
2. Specify all fees necessary to obtain tax identification numbers and licenses.
3. Process all forms it receives by forwarding appropriate copies to the department of economic security.
4. Deposit, pursuant to sections 35-146 and 35-147, in the state general fund all monies it receives from the fees it obtains for tax identification numbers and licenses.

Sec. 30. Section 42-6009, Arizona Revised Statutes, is amended to read:

42-6009. Online lodging; definitions
A. Except as provided by this section, a city, town or other taxing jurisdiction may not levy a transaction privilege, sales, use, franchise or other similar tax or fee, however denominated, on the business of operating an online lodging marketplace or, in the case of an online lodging marketplace that is licensed pursuant to section 42-5005, subsection L, on any online lodging transaction facilitated by the online lodging marketplace or on any online lodging operator with respect to any online lodging transaction for which it has received documentation that the online lodging marketplace has remitted or will remit the applicable tax to the department pursuant to section 42-5014, subsection E.

B. In the case of an online lodging marketplace that is licensed pursuant to section 42-5005, subsection L, a city, town or other taxing jurisdiction may levy a transaction privilege, sales, use, franchise or other similar tax or fee as provided by the model city tax code on the online lodging marketplace subject to the following conditions:
1. The adopted tax must be administered in a manner that is uniform with the treatment of online lodging marketplaces, online lodging operators and online lodging transactions provided by chapter 5 of this title, except that:
   (a) The adopted tax rate may be different from the state tax rate prescribed by section 42-5010.
   (b) The adopted tax may apply to online lodging transactions involving rentals of lodging accommodations in the city, town or other taxing jurisdiction for more than twenty-nine consecutive days. With respect to any tax on rentals of lodging accommodations for more than twenty-nine consecutive days, in the case of an online lodging marketplace that has registered pursuant to section 42-5005, subsection L, the adopted tax must uniformly apply to all lodging accommodations in the city, town or other taxing jurisdiction for thirty consecutive days or more, and the tax base for the tax must be limited exclusively to online lodging transactions facilitated by an online lodging marketplace for rentals of lodging accommodations for thirty consecutive days or more and located in the applicable city, town or other taxing jurisdiction.
2. The adopted tax shall be administered, collected and enforced by the department and remitted to the city, town or other taxing jurisdiction in a uniform manner.

3. The adopted tax must be uniform on online lodging marketplaces, online lodging operators and other taxpayers of the same class within the jurisdictional boundaries of the city, town or other taxing jurisdiction.

4. Any adopted tax is subject to:
   (a) Section 42-6002, relating to audits.
   (b) Section 42-2003, subsection \textit{X}, relating to confidential information.
   (c) Section 42-5003, subsection B, relating to judicial enforcement.
   (d) Section 42-5005, subsection L, relating to registration of online lodging marketplaces.
   (e) Section 42-5014, subsection E, relating to tax returns.

5. The tax may not be collected from an online lodging operator with respect to any online lodging transaction or transactions for which the online lodging operator has received written notice or documentation from a registered online lodging marketplace that it has remitted or will remit the applicable tax with respect to those transactions to the department pursuant to section 42-5014, subsection E.

C. For the purposes of this section, "lodging accommodations", "online lodging marketplace", "online lodging operator" and "online lodging transaction" have the same meanings prescribed in section 42-5076.

Sec. 31. Section 42-6052, Arizona Revised Statutes, is amended to read:

\textbf{42-6052. Municipal tax code commission; members; meetings; annual report}

A. The municipal tax code commission is established consisting of the director of the department of revenue, or the director's representative, as an ex officio member without the power to vote and nine members who are mayors or members of the governing bodies of cities or towns that have adopted the model city tax code and who are appointed as follows:

1. Five members appointed by the governor.
2. Two members appointed by the president of the senate.
3. Two members appointed by the speaker of the house of representatives.

B. No more than two members of the commission may be from the same city or town. The commission shall annually elect a chairman from among its members. Appointive members shall serve terms of three years. Members of the commission are not eligible for compensation for their services.

C. The commission shall meet on the second Friday of every other month unless the chairman determines that a meeting is unnecessary due to
a lack of issues for the commission to consider. The commission may hold additional meetings on the call of the chairman or at the request of four or more of its members, but the commission must give at least two weeks' notice of the meeting. The department of revenue shall maintain a MAILING list of recipients to mail FOR meeting notices, to, mail SEND required notices and provide staff support and meeting accommodations for the commission. ALL NOTICES UNDER THIS SUBSECTION MAY BE DELIVERED BY EITHER PHYSICAL MAIL OR E-MAIL.

D. The commission shall prepare an annual report and deliver the report to the governor, the president of the senate and the speaker of the house of representatives before January 1 in each year.

Sec. 32. Section 42-11114, Arizona Revised Statutes, is amended to read:

42-11114. Exemption for property held for conveyance as parkland; recapture

A. Property that is held by a charitable organization, recognized under section 501(c)(3) of the internal revenue code or under section 43-1201, for transfer to this state or to a political subdivision of this state to be used as parkland is exempt from taxation if the charitable organization does not receive rent or valuable consideration.

B. If property that is exempt under this section is transferred to an entity other than this state or a political subdivision of this state or if the property is used or occupied by or for the benefit of any other person, the charitable organization is liable for all tax, interest and penalties that would be due if the property were not exempt from taxation.

Sec. 33. Section 42-11115, Arizona Revised Statutes, is amended to read:

42-11115. Exemption for property held to preserve or protect scientific resources

Property that is held by a charitable organization, recognized under section 501(c)(3) of the internal revenue code or under section 43-1201, to preserve and protect scientific, biological, geological, paleontological, natural or archaeological resources is exempt from taxation.

Sec. 34. Section 42-11116, Arizona Revised Statutes, is amended to read:

42-11116. Exemption for property of arts and science organizations

Property of musical, dramatic, dance and community arts groups, botanical gardens, museums and zoos-- THAT ARE qualified as nonprofit charitable organizations under section 501(c)(3) of the internal revenue code or under section 43-1201, is exempt from taxation if the property is used for those purposes and not used or held for profit.
Sec. 35. Section 42-11117, Arizona Revised Statutes, is amended to read:

42-11117. **Exemption for property of volunteer fire departments**

The property of a volunteer fire department, THAT IS recognized under section 501 of the internal revenue code or under section 43-1201, is exempt from taxation if the property is used exclusively for fire suppression and prevention activities and IS neither used nor occupied by or for the benefit of any person.

Sec. 36. Section 42-11118, Arizona Revised Statutes, is amended to read:

42-11118. **Exemption for social welfare and quasi-governmental service property; qualifying activities**

A. Property that is owned by a volunteer nonprofit organization that is recognized under section 501(c)(4) of the internal revenue code or under section 43-1201 and that is operated exclusively to promote social welfare and provide community quasi-governmental services in an unincorporated area of a county is exempt from taxation.

B. To qualify as providing quasi-governmental services under this section, the organization must provide at least six of the following services:

1. Public information and complaint office.
2. Voter registration.
4. Building permit distribution.
5. Resident assistance with deed restrictions and violations.
6. County planning and zoning review.
7. Water resources planning and management.
8. Public safety planning, oversight and maintenance.
9. Government liaison for regional planning activities.

Sec. 37. Section 42-11124, Arizona Revised Statutes, is amended to read:

42-11124. **Exemption for possessory interests for educational or charitable activities**

A possessory interest consisting of property or improvements pursuant to a lease from this state or a political subdivision of this state is exempt from taxation if it is used by an association or institution that meets all of the following requirements:

1. The purpose of the association or institution is educational or charitable activities.
2. Its annual gross revenues do not exceed fifty thousand dollars.
3. It is not operated for profit.
4. It is recognized under section 501(c)(3) of the internal revenue code or under section 43-1201.
Sec. 38. Section 42-11154, Arizona Revised Statutes, is amended to read:

**42-11154. Establishing nonprofit status**

For the purposes of article 3 of this chapter:

1. Nonprofit organization status may be established by a letter of determination issued in the organization's name by the United States internal revenue service or the department of revenue recognizing the organization's tax-exempt status under section 501(c)(3) of the internal revenue code, or under section 43-1201 except that:

   (a) A CHURCH, SYNAGOGUE, TEMPLE, MOSQUE OR SIMILAR ORGANIZATION IS NOT REQUIRED TO PROVIDE A LETTER OF DETERMINATION TO ESTABLISH ITS STATUS AS A TAX-EXEMPT ORGANIZATION.

   (b) IF THE NONPROFIT ORGANIZATION IS INCLUDED IN A GROUP EXEMPTION LETTER BY THE INTERNAL REVENUE SERVICE, THE GROUP EXEMPTION LETTER SATISFIES THE REQUIREMENT UNDER THIS PARAGRAPH PROVIDED THE CENTRAL ORGANIZATION THAT RECEIVED THE GROUP EXEMPTION FROM THE INTERNAL REVENUE SERVICE PROVIDES A LETTER CERTIFYING THAT THE NONPROFIT ORGANIZATION IS INCLUDED IN THE GROUP EXEMPTION.

   (c) AN ORGANIZATION THAT MEETS THE REQUIREMENTS OF SECTION 501(c)(3) OF THE INTERNAL REVENUE CODE BUT THAT IS EXEMPT FROM THE NOTIFICATION REQUIREMENTS PURSUANT TO SECTION 508(c) OF THE INTERNAL REVENUE CODE SHALL NOT BE REQUIRED TO PROVIDE A LETTER OF DETERMINATION FROM THE INTERNAL REVENUE SERVICE.

2. The requirement that property is not used or held for profit may be met by a letter of determination described in paragraph 1 of this section and issued in the name of the organization holding title to the property and for each organization using the property.

Sec. 39. Section 42-13253, Arizona Revised Statutes, is amended to read:

**42-13253. Notice of equalization order**

On determining that an equalization order is necessary, the department shall:

1. Notify the assessor of any county that is affected by the order.

2. At the same time, notify by certified mail or by e-mail the governor, the president of the senate and the speaker of the house of representatives including the reasons that necessitated the order.

Sec. 40. Section 42-14004, Arizona Revised Statutes, is amended to read:

**42-14004. Change of valuation**

After the department determines the valuation of any property but before it transmits the valuation to the appropriate assessing authority, the department, on the property owner's written application or on its own motion, may change the valuation to properly reflect the property's full cash value. The department shall immediately send by mail or by e-mail a copy of the change to the property owner.
Sec. 41. Section 42-14152, Arizona Revised Statutes, is amended to read:

42-14152. Annual report for determining valuation; failure to file; penalty; forfeiture of appeal rights
A. Except as provided by section 42-14155, on or before April 1 of each year, each company that is valued pursuant to this article shall file a report with the department, under oath, stating the information that the department requires to enable it to make a valuation of the property. On or before February 1 of each year, the department shall SEND BY mail OR BY E-MAIL to each company the forms for filing the report.
B. On written request and for good cause shown, the director may extend the time for filing the report required by this section.
C. If a company fails to file the report on or before April 1 of the valuation year, or the extended due date if an extension is granted, the department shall:
   1. Estimate the value of the property based on one hundred five percent of the preceding year's full cash value or on any information that is available to the department.
   2. Also assess a penalty in the amount of the lesser of:
      (a) One-half of one percent of the value that is estimated by the department.
      (b) One hundred dollars per day for each day the company fails to file the report beyond the due date.
D. If the report is not filed by May 20 of the valuation year, the company forfeits its right to appeal the valuation and classification pursuant to section 42-14005.

Sec. 42. Section 42-14305, Arizona Revised Statutes, is amended to read:

42-14305. Determination of valuation
A. On or before June 15 OF EACH YEAR, the department shall determine the full cash value of the company's property in this state whether it is used in intrastate or interstate business. That value constitutes the full cash value of the property of the private car company in this state for that year.
B. The valuation required by this section is the value determined as of January 1 of the valuation year.
C. The department shall immediately transmit the valuation to the private car company by first class mail OR BY E-MAIL.

Sec. 43. Section 42-14306, Arizona Revised Statutes, is amended to read:

42-14306. Administrative review of valuation
A. On or before July 15 OF EACH YEAR, a private car company may request in writing that the department review its valuation. The department shall rule on any review of valuation on or before August 31
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and shall notify the private car company of its ruling by FIRST CLASS mail OR E-MAIL.

B. Representing a taxpayer before the department or appearing on a taxpayer's behalf is not considered to be the practice of law.

Sec. 44. Section 43-323, Arizona Revised Statutes, is amended to read:

43-323. Place and form of filing returns

A. All returns required by this title shall be in such a form as the department may from time to time prescribe and shall be filed with the department.

B. The department shall prescribe a short form return for individual taxpayers who:

1. Are eligible and elect to pay tax based on the optional tax tables pursuant to section 43-1012.

2. Elect to claim the optional standard deduction pursuant to section 43-1041.

3. Elect not to file for credits against income tax liability other than those contained in sections 43-1072, 43-1072.01, 43-1072.02 and 43-1073.

4. Are not required to add any income under section 43-1021 and do not elect any subtractions under section 43-1022, except for the exemptions allowed under section 43-1023.

C. The department may provide a simplified return form for individual taxpayers who:

1. Are eligible and elect to pay tax based on the optional tax tables pursuant to section 43-1012.

2. Are residents for the full taxable year.

3. File as single individuals or married couples filing joint returns under section 43-309.

4. Are not sixty-five years of age or older or blind at the end of the taxable year.

5. Claim no exemptions under section 43-1023 for the taxable year.

6. Elect to claim the optional standard deduction under section 43-1041.

7. Are not required to add any income under section 43-1021 and do not elect to claim any subtractions under section 43-1022 or file for any credits under chapter 10, article 5 of this title, except the credits provided by sections 43-1072.01, 43-1072.02 and 43-1073.

8. Do not elect to contribute a portion of any tax refund as provided by any provision of chapter 6, article 1 of this title. Notwithstanding any provision of chapter 6, article 1 of this title, a simplified return form under this subsection shall not include any space for the taxpayer to so contribute a portion of a refund.
D. The department shall prepare blank forms for the returns and furnish them on request. Failure to receive or secure the form does not relieve any taxpayer from making any return required.

E. An individual income tax preparer who prepares more than ten original income tax returns that are timely filed during any taxable year that begins from and after December 31, 2017 shall file electronically all individual tax returns prepared by that tax preparer, for that taxable year and each subsequent taxable year. An individual income tax preparer may not charge a separate fee to the taxpayer for filing a return using the department's electronic filing program. This subsection does not apply if the taxpayer elects to have the return filed on paper or if the return cannot be filed electronically for reasons outside of the tax preparer's control.

F. Annual Fiduciary returns, partnership returns, WITHHOLDING RETURNS and corporate returns shall be filed electronically for taxable years beginning from and after December 31, 2019, or when the department establishes an electronic filing program, whichever is later. Any person who is required to file electronically pursuant to this subsection may apply to the director, on a form prescribed by the department, for an annual waiver from the electronic filing requirement. The director may grant the waiver, which may be renewed for one subsequent year, if any of the following applies:

1. The taxpayer has no computer.
2. The taxpayer has no internet access.
3. Any other circumstance considered to be worthy by the director exists.

G. A waiver is not required if the return cannot be electronically filed for reasons beyond the taxpayer's control, including situations in which the taxpayer was instructed by either the internal revenue service or the department of revenue to file by paper.

Sec. 45. Section 43-401, Arizona Revised Statutes, is amended to read:

43-401. Withholding tax; rates; election by employee
A. Except as provided by subsections B and H of this section, every employer at the time of the payment of wages, salary, bonus or other emolument to any employee whose compensation is for services performed within this state shall deduct and retain from the compensation an amount prescribed by tables adopted by the department.
B. An employer may voluntarily elect to not withhold tax during December by notifying:
1. The department on a form prescribed by the department.
2. The employer's employees in writing in a manner prescribed by the department.
C. If the amount collected and payable by the employer to the department in each of the preceding four calendar quarters did not exceed
an average of one thousand five hundred dollars, the amount collected shall be paid to the department on or before April 30, July 31, October 31 and January 31 for the preceding calendar quarter. If the amount exceeded one thousand five hundred dollars in each of the preceding four calendar quarters, the employer shall pay to the department the amount the employer deducts and retains pursuant to this section at the same time as the employer is required to make deposits of federal tax pursuant to section 6302 of the internal revenue code. On or before April 30, July 31, October 31 and January 31 each year, the employer shall reconcile the amounts payable during the preceding calendar quarter in a manner prescribed by the department, except that if the full amount collected and payable is paid timely to the department under this subsection, the employer may reconcile the amounts on or before May 10, August 10, November 10 and February 10 each year. The department by rule may allow and determine which employers qualify for annual payments of withholding taxes, with an annual report by the employer pursuant to section 43-412, subsection B, if the qualifying employer has established sufficient payment history to indicate that the employer is current and in good standing pursuant to standards established by rule. For any business which has not had a withholding certificate for the four preceding consecutive quarters, the quarterly average shall be computed in a manner prescribed by the department.

D. If an employer fails to make a timely monthly payment because prior to that reporting period it reported on a quarterly basis instead of on a monthly basis, the department shall notify the employer that it is out of compliance with this section. Notwithstanding section 42-1125, the department shall not assess a penalty against an employer for failing to make a timely monthly payment if the employer had filed and remitted all taxes due on a quarterly basis and brings all filings and payments into current compliance within thirty days after being notified by the department.

E. Each employee shall elect the amount authorized by subsection A of this section to be withheld for application toward the employee's state income tax liability. The election provided under this subsection shall be exercised by each employee, in writing on a form prescribed by the department. The election shall be made within five days of employment. Each employer shall notify the employees of the election made available under this subsection and shall have election forms available at all times. Each form shall be completed in triplicate, with one copy each for the department, the employer and the employee. The employer shall file a copy of each completed form with the department. Any employee failing to complete an election form as prescribed shall be deemed to have elected the withholding percentage prescribed by the department.
F. Before July 1 of each year, each employer who chooses to not withhold tax pursuant to subsection B of this section shall notify each employee that:

1. State income taxes will not be withheld from compensation in December.
2. The employee may elect to change the rate of withholding tax prescribed by this section to compensate for the resulting change in annual withholdings from the employee's compensation.

G. At an employee's written request, the employer may agree to reduce the amount withheld under this section by the amount of credit that the employee represents to the employer that the employee will qualify for and be entitled to under sections 43-1088, 43-1089, 43-1089.01 and 43-1089.03. The employee's request must include the name and address of the qualifying charitable organization, qualified school tuition organization or public school. Within thirty days after agreeing to the employee's request, the employer shall reduce the withholding amount by the amount of the credit, but not below zero, prorated for the number of pay periods remaining in the employee's taxable year after the employee makes the request. If an employer agrees to reduce the withholding amount pursuant to this subsection, the following apply:

1. Within fifteen days after the end of each calendar quarter, the employer must pay the entire amount of the reduction in withholding tax for that quarter to the designated charitable organization, school tuition organization or public school. These payments are considered to be on the employee's behalf, and not the employer's, for the purposes of qualifying for the income tax credits under sections 43-1088, 43-1089, 43-1089.01 and 43-1089.03.
2. The employee is responsible and accountable for the accuracy and amount of reduction in withholding tax and the payments to the charitable organization, school tuition organization or public school.
3. The employer is responsible and accountable to the charitable organization, school tuition organization or public school, to the employee and to the department for actually making the required payments.
4. Within thirty days after the end of each calendar year, or within fifteen days after the termination of employment, the employer must furnish to each electing employee and to the department a statement of the amount withheld and paid on behalf of the employee during that year.

H. An employer shall not withhold tax on the wages of the employer's nonresident employees who are in this state on a temporary basis for the purpose of performing disaster recovery from a declared disaster during a disaster period as defined in section 42-1130.
Sec. 46. Section 43-1021, Arizona Revised Statutes, is amended to read:

43-1021. Addition to Arizona gross income

In computing Arizona adjusted gross income, the following amounts shall be added to Arizona gross income:

1. A beneficiary's share of the fiduciary adjustment to the extent that the amount determined by section 43-1333 increases the beneficiary's Arizona gross income.

2. An amount equal to the ordinary income portion of a lump sum distribution that was excluded from federal adjusted gross income pursuant to the special rule for individuals who attained fifty years of age before January 1, 1986 under Public Law 99-514, section 1122(h)(3).

3. The amount of interest income received on obligations of any state, territory or possession of the United States, or any political subdivision thereof, located outside the state of Arizona, reduced, for taxable years beginning from and after December 31, 1996, by the amount of any interest on indebtedness and other related expenses that were incurred or continued to purchase or carry those obligations and that are not otherwise deducted or subtracted in arriving at Arizona gross income.

4. The excess of a partner's share of partnership taxable income required to be included under chapter 14, article 2 of this title over the income required to be reported under section 702(a)(8) of the internal revenue code.

5. The excess of a partner's share of partnership losses determined pursuant to section 702(a)(8) of the internal revenue code over the losses allowable under chapter 14, article 2 of this title.

6. Any amount of agricultural water conservation expenses that were deducted pursuant to the internal revenue code for which a credit is claimed under section 43-1084.

7. The amount by which the depreciation or amortization computed under the internal revenue code with respect to property for which a credit was taken under section 43-1080 exceeds the amount of depreciation or amortization computed pursuant to the internal revenue code on the Arizona adjusted basis of the property.

8. The amount by which the adjusted basis computed under the internal revenue code with respect to property for which a credit was claimed under section 43-1080 and that is sold or otherwise disposed of during the taxable year exceeds the adjusted basis of the property computed under section 43-1080.

9. The amount by which the depreciation or amortization computed under the internal revenue code with respect to property for which a credit was taken under either section 43-1081 or 43-1081.01 exceeds the amount of depreciation or amortization computed pursuant to the internal revenue code on the Arizona adjusted basis of the property.
10. The amount by which the adjusted basis computed under the internal revenue code with respect to property for which a credit was claimed under section 43-1074.02, 43-1081 or 43-1081.01 and that is sold or otherwise disposed of during the taxable year exceeds the adjusted basis of the property computed under section 43-1074.02, 43-1081 or 43-1081.01, as applicable.

11. The deduction referred to in section 1341(a)(4) of the internal revenue code for restoration of a substantial amount held under a claim of right.

12. The amount by which a net operating loss carryover or capital loss carryover allowable pursuant to section 1341(b)(5) of the internal revenue code exceeds the net operating loss carryover or capital loss carryover allowable pursuant to section 43-1029, subsection F.

13. Any wage expenses deducted pursuant to the internal revenue code for which a credit is claimed under section 43-1087 and representing net increases in qualified employment positions for employment of temporary assistance for needy families recipients.

14. The amount of any depreciation allowance allowed pursuant to section 167(a) of the internal revenue code to the extent not previously added.

15. With respect to property for which an expense deduction was taken pursuant to section 179 of the internal revenue code in a taxable year beginning before January 1, 2013, the amount in excess of twenty five thousand dollars.

16. The amount of a nonqualified withdrawal, as defined in section 15-1871, from a college savings plan established pursuant to section 529 of the internal revenue code that is made to a distributee to the extent the amount is not included in computing federal adjusted gross income, except that the amount added under this paragraph shall not exceed the difference between the amount subtracted under section 43-1022 in prior taxable years and the amount added under this section in any prior taxable years.

17. The amount of discharge of indebtedness income that is deferred and excluded from the computation of federal adjusted gross income in the current taxable year pursuant to section 108(i) of the internal revenue code as added by section 1231 of the American recovery and reinvestment act of 2009 (P.L. 111-5).

18. The amount of any previously deferred original issue discount that was deducted in computing federal adjusted gross income in the current year pursuant to section 108(i) of the internal revenue code as added by section 1231 of the American recovery and reinvestment act of 2009 (P.L. 111-5), to the extent that the amount was previously subtracted from Arizona gross income pursuant to section 43-1022, paragraph 23 22.

19. Amounts that are considered to be income under section 43-1032, subsection D because the amount is withdrawn from a long-term health care
savings account and not used to pay the taxpayer's long-term health care 
expenses.

18. If a subtraction is or has been taken by the taxpayer 
under section 43-1024, in the current or a prior taxable year for the full 
amount of eligible access expenditures paid or incurred to comply with the 
requirements of the Americans with disabilities act of 1990 (P.L. 101-336) 
or title 41, chapter 9, article 8, any amount of eligible access 
expenditures that is recognized under the internal revenue code, including 
any amount that is amortized according to federal amortization schedules, 
and that is included in computing taxable income for the current taxable 
year.

19. For taxable years beginning from and after December 31, 
2017, the amount of any net capital loss included in Arizona gross income 
for the taxable year that is derived from the exchange of one kind of 
legal tender for another kind of legal tender. For the purposes of this 
paragraph:

(a) "Legal tender" means a medium of exchange, including specie, 
that is authorized by the United States Constitution or Congress for the 
payment of debts, public charges, taxes and dues.
(b) "Specie" means coins having precious metal content.

Sec. 47. Section 43-1022, Arizona Revised Statutes, is amended to 
read:

43-1022. Subtractions from Arizona gross income

In computing Arizona adjusted gross income, the following amounts 
shall be subtracted from Arizona gross income:

1. The amount of exemptions allowed by section 43-1023.
2. Benefits, annuities and pensions in an amount totaling not more 
than two thousand five hundred dollars received from one or more of the 
following:

(a) The United States government service retirement and disability 
fund, retired or retainer pay of the uniformed services of the United 
States, the United States foreign service retirement and disability system 
and any other retirement system or plan established by federal law.
(b) The Arizona state retirement system, the corrections officer 
retirement plan, the public safety personnel retirement system, the 
elected officials' retirement plan, an optional retirement program 
established by the Arizona board of regents under section 15-1628, an 
optional retirement program established by a community college district 
board under section 15-1451 or a retirement plan established for employees 
of a county, city or town in this state.

3. A beneficiary's share of the fiduciary adjustment to the extent 
that the amount determined by section 43-1333 decreases the beneficiary's 
Arizona gross income.

4. Interest income received on obligations of the United States, 
less any interest on indebtedness, or other related expenses, and deducted
in arriving at Arizona gross income, which were incurred or continued to
purchase or carry such obligations.

5. The excess of a partner's share of income required to be
included under section 702(a)(8) of the internal revenue code over the
income required to be included under chapter 14, article 2 of this title.

6. The excess of a partner's share of partnership losses determined
pursuant to chapter 14, article 2 of this title over the losses allowable
under section 702(a)(8) of the internal revenue code.

7. The amount allowed by section 43-1025 for contributions during
the taxable year of agricultural crops to charitable organizations.

8. The portion of any wages or salaries paid or incurred by the
taxpayer for the taxable year that is equal to the amount of the federal
work opportunity credit, the empowerment zone employment credit, the
credit for employer paid social security taxes on employee cash tips and
the Indian employment credit that the taxpayer received under sections
45A, 45B, 51(a) and 1396 of the internal revenue code.

9. The amount of prizes or winnings less than five thousand dollars
in a single taxable year from any of the state lotteries established and
operated pursuant to title 5, chapter 5.1, article 1.

10. The amount of exploration expenses that is determined pursuant
to section 617 of the internal revenue code, that has been deferred in a
taxable year ending before January 1, 1990 and for which a subtraction has
not previously been made. The subtraction shall be made on a ratable
basis as the units of produced ores or minerals discovered or explored as
a result of this exploration are sold.

11. The amount included in federal adjusted gross income pursuant
to section 86 of the internal revenue code, relating to taxation of social
security and railroad retirement benefits.

12. To the extent not already excluded from Arizona gross income
under the internal revenue code, compensation received for active service
as a member of the reserves, the national guard or the armed forces of the
United States, including compensation for service in a combat zone as
determined under section 112 of the internal revenue code.

13. The amount of unreimbursed medical and hospital costs, adoption
counseling, legal and agency fees and other nonrecurring costs of adoption
not to exceed three thousand dollars. In the case of a husband and wife
who file separate returns, the subtraction may be taken by either taxpayer
or may be divided between them, but the total subtractions allowed both
husband and wife shall not exceed three thousand dollars. The subtraction
under this paragraph may be taken for the costs that are described in this
paragraph and that are incurred in prior years, but the subtraction may be
taken only in the year during which the final adoption order is granted.

14. The amount authorized by section 43-1027 for the taxable year
relating to qualified wood stoves, wood fireplaces or gas fired
fireplaces.
15. The amount by which a net operating loss carryover or capital loss carryover allowable pursuant to section 43-1029, subsection F exceeds the net operating loss carryover or capital loss carryover allowable pursuant to section 1341(b)(5) of the internal revenue code.

16. Any amount of qualified educational expenses that is distributed from a qualified state tuition program determined pursuant to section 529 of the internal revenue code and that is included in income in computing federal adjusted gross income.

17. Any item of income resulting from an installment sale that has been properly subjected to income tax in another state in a previous taxable year and that is included in Arizona gross income in the current taxable year.

18. The amount authorized by section 43-1030 relating to holocaust survivors.

19. For property placed in service:
   (a) In taxable years beginning before December 31, 2012, an amount equal to the depreciation allowable pursuant to section 167(a) of the internal revenue code for the taxable year computed as if the election described in section 168(k)(2)(D)(iii) of the internal revenue code had been made for each applicable class of property in the year the property was placed in service.
   (b) In taxable years beginning from and after December 31, 2012 through December 31, 2013, an amount determined in the year the asset was placed in service based on the calculation in subdivision (a) of this paragraph. In the first taxable year beginning from and after December 31, 2013, the taxpayer may elect to subtract the amount necessary to make the depreciation claimed to date for the purposes of this title the same as it would have been if subdivision (c) of this paragraph had applied for the entire time the asset was in service. Subdivision (c) of this paragraph applies for the remainder of the asset's life. If the taxpayer does not make the election under this subdivision, subdivision (a) of this paragraph applies for the remainder of the asset's life.
   (c) In taxable years beginning from and after December 31, 2013 through December 31, 2015, an amount equal to the depreciation allowable pursuant to section 167(a) of the internal revenue code for the taxable year as computed as if the additional allowance for depreciation had been ten percent of the amount allowed pursuant to section 168(k) of the internal revenue code.
   (d) In taxable years beginning from and after December 31, 2015 through December 31, 2016, an amount equal to the depreciation allowable pursuant to section 167(a) of the internal revenue code for the taxable year as computed as if the additional allowance for depreciation had been fifty-five percent of the amount allowed pursuant to section 168(k) of the internal revenue code.
(e) In taxable years beginning from and after December 31, 2016, an amount equal to the depreciation allowable pursuant to section 167(a) of the internal revenue code for the taxable year as computed as if the additional allowance for depreciation had been the full amount allowed pursuant to section 168(k) of the internal revenue code.

20. With respect to property that is sold or otherwise disposed of during the taxable year by a taxpayer that complied with section 43-1021, paragraph 14 with respect to that property, the amount of depreciation that has been allowed pursuant to section 167(a) of the internal revenue code to the extent that the amount has not already reduced Arizona taxable income in the current or prior taxable years.

21. With respect to property for which an adjustment was made under section 43-1021, paragraph 15, an amount equal to one-fifth of the amount of the adjustment pursuant to section 43-1021, paragraph 15 in the year in which the amount was adjusted under section 43-1021, paragraph 15 and in each of the following four years.

22. The amount contributed during the taxable year to college savings plans established pursuant to section 529 of the internal revenue code to the extent that the contributions were not deducted in computing federal adjusted gross income. The amount subtracted shall not exceed:

(a) Two thousand dollars for a single individual or a head of household.

(b) Four thousand dollars for a married couple filing a joint return. In the case of a husband and wife who file separate returns, the subtraction may be taken by either taxpayer or may be divided between them, but the total subtractions allowed both husband and wife shall not exceed four thousand dollars.

23. The amount of any original issue discount that was deferred and not allowed to be deducted in computing federal adjusted gross income in the current taxable year pursuant to section 108(i) of the internal revenue code as added by section 1231 of the American recovery and reinvestment act of 2009 (P.L. 111-5).

24. The amount of previously deferred discharge of indebtedness income that is included in the computation of federal adjusted gross income in the current taxable year pursuant to section 108(i) of the internal revenue code as added by section 1231 of the American recovery and reinvestment act of 2009 (P.L. 111-5), to the extent that the amount was previously added to Arizona gross income pursuant to section 43-1021, paragraph 16.

25. The portion of the net operating loss carryforward that would have been allowed as a deduction in the current year pursuant to section 172 of the internal revenue code if the election described in section 172(b)(1)(H) of the internal revenue code had not been made in the year of the loss that exceeds the actual net operating loss carryforward that was deducted in arriving at federal adjusted gross income. This
subtraction only applies to taxpayers who made an election under section 
172(b)(1)(H) of the internal revenue code as amended by section 1211 of 
the American recovery and reinvestment act of 2009 (P.L. 111-5) or as 
amended by section 13 of the worker, homeownership, and business 

26. 25. For taxable years beginning from and after December 31, 
2013, the amount of any net capital gain included in federal adjusted 
gross income for the taxable year derived from investment in a qualified 
small business as determined by the Arizona commerce authority pursuant to 
section 41-1518.

27. 26. An amount of any net long-term capital gain included in 
federal adjusted gross income for the taxable year that is derived from an 
investment in an asset acquired after December 31, 2011, as follows:
(a) For taxable years beginning from and after December 31, 2012 
through December 31, 2013, ten percent of the net long-term capital gain 
included in federal adjusted gross income.
(b) For taxable years beginning from and after December 31, 2013 
through December 31, 2014, twenty percent of the net long-term capital 
gain included in federal adjusted gross income.
(c) For taxable years beginning from and after December 31, 2014, 
twenty-five percent of the net long-term capital gain included in federal 
adjusted gross income. For the purposes of this paragraph, a transferee 
that receives an asset by gift or at the death of a transferor is 
considered to have acquired the asset when the asset was acquired by the 
transferor. If the date an asset is acquired cannot be verified, a 
subtraction under this paragraph is not allowed.

28. 27. If an individual is not claiming itemized deductions 
pursuant to section 43-1042, the amount of premium costs for long-term 
care insurance, as defined in section 20-1691.

29. With respect to a long-term health care savings account 
established pursuant to section 43-1032, the amount deposited by the 
taxpayer in the account during the taxable year to the extent that the 
taxpayer's contributions are included in the taxpayer's federal adjusted 
gross income.

30. 28. The amount of eligible access expenditures paid or 
incurred during the taxable year to comply with the requirements of the 
Americans with disabilities act of 1990 (P.L. 101-336) or title 41, 
chapter 9, article 8 as provided by section 43-1024.

31. 29. For taxable years beginning from and after December 31, 
2017, the amount of any net capital gain included in Arizona gross income 
for the taxable year that is derived from the exchange of one kind of 
legal tender for another kind of legal tender. For the purposes of this 
paragraph:
(a) "Legal tender" means a medium of exchange, including specie, that is authorized by the United States Constitution or Congress for the payment of debts, public charges, taxes and dues.

(b) "Specie" means coins having precious metal content.

Sec. 48. Repeal
Section 43-1032, Arizona Revised Statutes, is repealed.

Sec. 49. Section 43-1042, Arizona Revised Statutes, is amended to read:

43-1042. Itemized deductions
A. Except as provided by subsections B and C of this section, at the election of the taxpayer, and in lieu of the standard deduction allowed by section 43-1041, in computing taxable income the taxpayer may take the amount of itemized deductions allowable for the taxable year pursuant to subtitle A, chapter 1, subchapter B, parts VI and VII, but subject to the limitations prescribed by sections 67, 68 and 274 of the internal revenue code.

B. In lieu of the amount of the federal itemized deduction for expenses paid for medical care allowed under section 213 of the internal revenue code, the taxpayer may deduct the full amount of such expenses.

C. A taxpayer shall not claim both a deduction provided by this section and a credit allowed by this title with respect to the same charitable contributions.

D. The taxpayer may add any interest expense paid by the taxpayer for the taxable year that is equal to the amount of federal credit for interest on certain home mortgages allowed by section 25 of the internal revenue code.

Sec. 50. Section 43-1201, Arizona Revised Statutes, is amended to read:

43-1201. Organizations exempt from tax
A. Organizations that are exempt from federal income tax under section 501 of the internal revenue code are exempt from the tax imposed under this title. In addition, the following organizations are exempt from the taxes imposed under this title, except as otherwise provided in this chapter:
1. Labor, agricultural or horticultural organizations, other than cooperative organizations.
2. Fraternal beneficiary societies, orders or organizations both:
   (a) Operating under the lodge system or for the exclusive benefit of the members of a fraternity itself operating under the lodge system.
(b) Providing for the payment of life, sick, accident or other
benefits to the members of such society, order or organization or their
dependents.

3. Cemetery companies owned and operated exclusively for the
benefit of their members or which are not operated for profit or any
corporation chartered for burial purposes and not permitted by its charter
to engage in any business not necessarily related to that purpose, no part
of the net earnings of which inures to the benefit of any private
shareholder or individual member thereof.

4. Corporations organized and operated exclusively for religious,
charitable, scientific, literary or educational purposes or for the
prevention of cruelty to children or animals, no part of the net earnings
of which inures to the benefit of any private shareholder or individual;
and no substantial part of the activities of which is carrying on
propaganda or otherwise attempting to influence legislation.

5. Business leagues, chambers of commerce, real estate boards or
boards of trade, not organized for profit, no part of the net earnings of
which inures to the benefit of any private shareholder or individual.

6. Civic leagues or organizations not organized for profit but
operated exclusively for the promotion of social welfare or local
organizations of employees, the membership of which is limited to the
employees of a designated person or persons in a particular municipality,
the net earnings of which are devoted exclusively to charitable,
educational or recreational purposes.

7. Clubs organized and operated exclusively for pleasure,
recreation and other non-profitable purposes, no part of the net earnings
of which inures to the benefit of any private shareholder.

8. Corporations organized for the exclusive purpose of holding
title to property, collecting income therefrom and turning over the entire
amount of such income, less expenses, to an organization which itself is
exempt from the tax imposed by this title.

9. Voluntary employees’ beneficiary organizations providing for the
payment of life, sick, accident or other benefits to the members of such
organizations or their dependents, if both of the following apply:
(a) No part of their net earnings inures, other than through such
payments, to the benefit of any private shareholder or individual.
(b) Eighty-five per cent or more of the income consists of amounts
collected from members and amounts contributed to the organization by the
employer of the members for the sole purpose of making such payments and
meeting expenses.

10. Teachers’ or public employees’ retirement fund organizations of
a purely local character, if both of the following apply:
(a) No part of their net earnings inures to the benefit of any
private shareholder or individual, other than through payment of
retirement benefits.
(b) The income consists solely of amounts received from public taxation, amounts received from assessments upon the salaries of members and income in respect of investments. For the purposes of this paragraph, “public employees” means employees of the state and its political subdivisions.

11. Religious or apostolic organizations or corporations, if such organizations or corporations have a common treasury or community treasury, even if such corporations or organizations engage in business for the common benefit of the members, but only if the members thereof include, at the time of filing their returns, in their Arizona gross income their pro rata shares, whether distributed or not, of the net income of the organizations or corporations for such year. Any amount so included in the Arizona gross income of a member shall be treated as a dividend received.

12. Voluntary employees’ beneficiary organizations providing for the payment of life, sick, accident or other benefits to the members of such organization, their dependents or their designated beneficiaries, if both of the following apply:
   (a) Admission to membership in such organization is limited to individuals who are officers or employees of the United States government.
   (b) No part of the net earnings of such organization inures, other than through such payments, to the benefit of any private shareholder or individual.

13. Corporations classified as diversified management companies under section 5 of the federal investment company act of 1940 and registered as provided in that act.

A. EXCEPT AS OTHERWISE PROVIDED IN THIS CHAPTER, THE FOLLOWING ORGANIZATIONS ARE EXEMPT FROM THE TAXES IMPOSED UNDER THIS TITLE:

1. ORGANIZATIONS THAT ARE EXEMPT FROM FEDERAL INCOME TAX UNDER SECTION 501 OF THE INTERNAL REVENUE CODE.

14. 2. Insurance companies paying THAT PAY to the THIS state A tax upon ON premium income derived from sources within this state.

15. Mutual ditch, irrigation or water companies or similar nonprofit organizations if eighty-five per cent or more of the income consists of amounts collected from members for the sole purpose of meeting losses and expenses.

16. Workers’ compensation pools established pursuant to section 23-961.01.

B. Nonprofit medical marijuana dispensaries under title 36, chapter 28.1, are exempt from the taxes imposed under this title.

Sec. 51. Section 43-1202, Arizona Revised Statutes, is amended to read:

43-1202. Feeder organizations not exempt from tax; definition
A. An organization THAT IS operated for the primary purpose of carrying on a trade or business for profit IS not be exempt under
any provision of this chapter on the ground that all of its profits are payable to one or more organizations exempt under this section from taxation.

B. For the purposes of this section, the term "trade or business" shall not include the rental by an organization of its real property, including personal property leased with the real property, HAS THE SAME MEANING PRESCRIBED IN SECTION 502 OF THE INTERNAL REVENUE CODE AND REGULATIONS ADOPTED PURSUANT TO THAT SECTION.

Sec. 52. Repeal
Section 43-1211, Arizona Revised Statutes, is repealed.

Sec. 53. Section 43-1212, Arizona Revised Statutes, is amended to read:

43-1212. Denial of exempt status due to prohibited transactions; restoration of exempt status

A. An organization shall be denied exemption from taxation under section 43-1201, paragraph 4 by reason of "prohibited transactions" as defined in section 43-1213 only for AN ORGANIZATION THAT IS DENIED EXEMPTION FROM FEDERAL INCOME TAX FOR ENGAGING IN PROHIBITED TRANSACTIONS AS PROVIDED BY SECTION 503 OF THE INTERNAL REVENUE CODE IS ALSO DENIED EXEMPTION UNDER SECTION 43-1201. THE DENIAL APPLIES TO taxable years subsequent to AFTER the taxable year during which IT THE ORGANIZATION is notified by the department OR BY THE UNITED STATES INTERNAL REVENUE SERVICE that it has engaged in a prohibited transaction, unless such THE organization entered into such THE prohibited transaction with the purpose of diverting corpus or income of the organization from its exempt purposes and such THE transaction involved a substantial part of the corpus or income of such THE organization. Denial of exemption for the unreasonable accumulation of income shall be effective in the taxable year of the accumulation.

B. AN ORGANIZATION THAT IS DENIED AN EXEMPTION PURSUANT TO SUBSECTION A OF THIS SECTION WITH RESPECT TO ANY TAXABLE YEAR FOLLOWING THE TAXABLE YEAR IN WHICH THE NOTICE WAS RECEIVED MAY HAVE ITS EXEMPT STATUS UNDER SECTION 43-1201 RESTORED AT THE SAME TIME THE ORGANIZATION'S EXEMPT STATUS IS RESTORED FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 503 OF THE INTERNAL REVENUE CODE.

Sec. 54. Repeal
Sections 43-1213, 43-1214, 43-1215, 43-1216 and 43-1217, Arizona Revised Statutes, are repealed.

Sec. 55. Section 43-1231, Arizona Revised Statutes, is amended to read:

43-1231. Taxation of unrelated business income

Any organization, trust or church or a convention or association of churches which THAT is exempt, except as provided in this section, from taxation under this title by reason of section 43-1201, paragraphs 1 through 14 shall be IS subject to the tax imposed under section 43-1111
upon on its “unrelated business taxable income” as defined in section 512 of the internal revenue code. Such taxes shall also apply to an organization described in section 43-1201, paragraph 8 if the income is payable to an organization which itself is subject to the tax imposed under this section or to a church or to a convention or association of churches.

Sec. 56. Section 43-1242, Arizona Revised Statutes, is amended to read:

43-1242. Information returns of tax-exempt organizations; definition

A. Every organization that is exempt under section 43-1201, subsection B shall annually file a return except:


2. An educational organization exempt under section 43-1201, subsection A, paragraph 4, if such organization normally maintains a regular faculty and students in attendance at the place where its educational activities are regularly carried on.

3. A charitable organization, or an organization for the prevention of cruelty to children or animals, exempt under section 43-1201, subsection A, paragraph 4, if such organization is supported, in whole or in part, by funds contributed by the United States or any state or political subdivision thereof or is primarily supported by contributions of the general public.

4. An organization exempt under section 43-1201, subsection A, paragraph 4, if such organization is operated, supervised or controlled by or in connection with a religious organization described in paragraph 1 of this subsection.

5. An organization exempt solely under section 43-1201, subsection A, paragraph 2.

B. Such return shall be filed annually, at such time and in such manner as the department may prescribe by rule, setting forth with the department on a form prescribed by the department on or before the fifteenth day of the fifth month after the close of the taxable year. The return shall include:

1. Its organization's gross receipts for the year.

2. Its organization's expenses attributable to such income and incurred within the year.

3. Its disbursements within the year for the purposes for which it is exempt.

4. Its accumulation of income within the year.

5. Its aggregate accumulations of income at the beginning of the year.

6. Its disbursements out of principal in the current and prior years for the purposes for which it is exempt.
7. 3. A balance sheet showing the organization's assets, liabilities and net worth as of the beginning and end of such year.

8. 4. Such other information as the department may prescribe by rule.

C. An organization otherwise required to file the return specified in subsection A of this section:

1. Need not file it if its gross receipts do not exceed fifty thousand dollars.

2. May comply with this section by filing a copy of the organization's federal "return of organization exempt from income tax" with the department.

B. For the purposes of this section, "gross receipts" means the total amount the organization received from all sources during its annual tax year without subtracting any costs or expenses.

Sec. 57. Section 43-1365, Arizona Revised Statutes, is amended to read:

43-1365. Request for prompt assessment
In the case of income received or accrued during the lifetime of a decedent, or by the decedent's estate during the period of administration, the department shall send by physical mail or e-mail notices proposing to assess the tax and shall commence any proceeding in court without assessment for the collection of the tax within eighteen months after the fiduciary of the estate or any other person who is liable for the tax or any portion of the tax files a written request after the return is filed. After filing the request, a fiduciary may consent in writing to waive the limitation under this section.

Sec. 58. Section 43-1502, Arizona Revised Statutes, is amended to read:

43-1502. Certification as a school tuition organization
A. A nonprofit organization in this state that is exempt or that has applied for exemption from federal taxation under section 501(c)(3) of the internal revenue code may apply to the department of revenue for certification as a school tuition organization, and the department shall certify the school tuition organization if it meets the requirements prescribed by this chapter. An organization must apply for certification on a form prescribed and furnished on request by the department.

B. The department shall:

1. Maintain a public registry of currently certified school tuition organizations.

2. Make the registry available to the public on request.

3. Post the registry on the department's official website.

C. The department shall send written notice by certified mail or by e-mail to a school tuition organization if the department determines that the school tuition organization has engaged in any of the following activities:
1. Failed or refused to allocate at least ninety percent of annual revenues from contributions made for the purposes of sections 20-224.06, 20-224.07, 43-1183 and 43-1184 for educational scholarships or tuition grants.

2. Failed or refused to file the annual reports required by section 43-1506.

3. Limited the availability of scholarships to students of only one school.

4. Encouraged, facilitated or knowingly permitted taxpayers to engage in actions prohibited by this article.

5. Knowingly colluded with any other school tuition organization to circumvent the limits of section 43-1504, subsection C.

6. Failed or refused to meet any of the requirements in section 43-1503, subsection B.

7. Failed or refused to comply with the audit or financial review requirements of section 43-1507.

D. A school tuition organization that receives notice from the department pursuant to subsection C of this section has ninety days to correct the violation identified by the department in the notice. If a school tuition organization fails or refuses to comply after ninety days, the department may remove the organization from the list of certified school tuition organizations and shall make available to the public notice of removal as soon as possible. An organization that is removed from the list of certified school tuition organizations must notify any taxpayer who attempts to make a contribution that the contribution is not eligible for the tax credit and offer to refund all donations received after the date of the notice of termination of certification.

E. A school tuition organization may request an administrative hearing on the revocation of its certification as provided by title 41, chapter 6, article 10. Except as provided in section 41-1092.08, subsection H, a decision of the department is subject to judicial review pursuant to title 12, chapter 7, article 6.

Sec. 59. Section 43-1602, Arizona Revised Statutes, is amended to read:

43-1602. Certification as a school tuition organization

A. A nonprofit organization in this state that is exempt or has applied for exemption from federal taxation under section 501(c)(3) of the internal revenue code may apply to the department of revenue for certification as a school tuition organization, and the department shall certify the school tuition organization if it meets the requirements prescribed by this chapter. An organization must apply for certification on a form prescribed and furnished on request by the department.

B. The department shall:

1. Maintain a public registry of currently certified school tuition organizations.
2. Make the registry available to the public on request.

3. Post the registry on the department's official website.

C. The department shall send written notice by certified mail OR BY E-MAIL to a school tuition organization if the department determines that the school tuition organization has engaged in any of the following activities:

1. Failed or refused to allocate at least ninety percent of annual revenues from contributions made for the purposes of sections 43-1089 and 43-1089.03 for educational scholarships or tuition grants.

2. Failed or refused to file the annual reports required by section 43-1604.

3. Limited the availability of scholarships to students of only one school.

4. Encouraged, facilitated or knowingly permitted taxpayers to engage in actions prohibited by this article.

5. Awarded, restricted or reserved educational scholarships or tuition grants for use by a particular student based solely on the recommendation of the donor.

6. Failed or refused to meet any of the requirements in section 43-1603, subsection B.

7. Failed or refused to include the notice required in section 43-1603, subsection C.

8. Failed or refused to comply with the audit or financial review requirements of section 43-1605.

D. A school tuition organization that receives notice from the department pursuant to subsection C of this section has ninety days to correct the violation identified by the department in the notice. If a school tuition organization fails or refuses to comply after ninety days, the department may remove the organization from the list of certified school tuition organizations and shall make available to the public notice of removal as soon as possible. An organization that is removed from the list of certified school tuition organizations must notify any taxpayer who attempts to make a contribution that the contribution is not eligible for the tax credit and offer to refund all donations received after the date of the notice of termination of certification.

E. A school tuition organization may request an administrative hearing on the revocation of its certification as provided by title 41, chapter 6, article 10. Except as provided in section 41-1092.08, subsection H, a decision of the department is subject to judicial review pursuant to title 12, chapter 7, article 6.

Sec. 60. Conditional enactment

Section 42-2003, Arizona Revised Statutes, as amended by Laws 2017, chapter 96, section 1, chapter 139, section 4, chapter 258, section 43 and chapter 340, section 2 and this act, is effective from and after December 31, 2018 only if Laws 2017, chapter 139, the subject of referendum
petition R-02-2018, is approved by a vote of the people at the next general election or fails to be referred to the voters at the next general election.

Sec. 61. Effective date
A. Section 28-2056, Arizona Revised Statutes, as amended by this act, is effective, and applies to taxable periods beginning, from and after the last day of the month of the general effective date of the fifty-third legislature, second regular session.
B. The remainder of this act is effective from and after December 31, 2018.

Sec. 62. Legislative intent
It is the intent of the legislature in enacting this act that from and after the effective date of this act:
1. The department of revenue provides the taxpayer the option of receiving notices from the department by electronic or physical means.
2. The department of revenue provides notices by the means requested by the taxpayer.

APPROVED BY THE GOVERNOR MAY 16, 2018.