

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

# SENATE BILL 1293

## AN ACT

AMENDING SECTIONS 5-401, 10-11202, 10-11251, 13-3301, 13-3302, 13-3311, 20-117, 20-1104, 20-1631, 28-2056, 28-4333, 28-4548, 41-1376.01, 41-1378, 42-1001, 42-1105, 42-1108, 42-1111, 42-1119, 42-1122, 42-1125, 42-1129, 42-1205 AND 42-2002, ARIZONA REVISED STATUTES; AMENDING SECTION 42-2003, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2017, CHAPTER 96, SECTION 1, CHAPTER 258, SECTION 43 AND CHAPTER 340, SECTION 2; AMENDING 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; AMENDING SECTIONS 42-2062, 42-2075, 42-2151, 42-6009, 42-6052, 42-11114, 42-11115, 42-11116, 42-11117, 42-11118, 42-11124, 42-11154, 42-13253, 42-14004, 42-14152, 42-14305, 42-14306, 43-323, 43-401, 43-1021 AND 43-1022, ARIZONA REVISED STATUTES; REPEALING SECTION 43-1032, ARIZONA REVISED STATUTES; AMENDING SECTIONS 43-1042, 43-1201 AND 43-1202, ARIZONA REVISED STATUTES; REPEALING SECTION 43-1211, ARIZONA REVISED STATUTES; AMENDING SECTION 43-1212, ARIZONA REVISED STATUTES; REPEALING SECTIONS 43-1213, 43-1214, 43-1215, 43-1216 AND 43-1217, ARIZONA REVISED STATUTES; AMENDING SECTIONS 43-1231, 43-1242, 43-1365, 43-1502 AND 43-1602, ARIZONA REVISED STATUTES; RELATING TO THE DEPARTMENT OF REVENUE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

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

4 5-401. Definitions

5 In this chapter, unless the context otherwise requires:

6 1. "Adjusted gross receipts" means the receipts remaining after  
7 deducting the monies paid for prizes from gross receipts.

8 2. "Applicant" means a person, a group of persons or an  
9 organization that submits an application to the licensing authority for a  
10 license required under this chapter.

11 3. "Assistant" means a person who is not a manager, supervisor or  
12 proceeds coordinator, who assists in conducting bingo games and who is  
13 designated as an assistant in the application for a license.

14 4. "Auxiliary" means a formally organized body formed for the  
15 purpose of assisting a qualified organization in accomplishing its primary  
16 purposes and recognized by a licensee in writing to the licensing  
17 authority as the licensee for the purposes of this chapter.

18 5. "Charitable organization" means any organization including not  
19 more than one auxiliary of the organization, not for pecuniary profit,  
20 which is operated for charitable purposes within this state and which has  
21 been so engaged for two years prior to making application for a license  
22 under this article.

23 6. "Chartered branch or lodge or chapter of a national or state  
24 organization" means any branch or lodge or chapter of a national or state  
25 qualified organization.

26 7. "Equipment" means the receptacle and numbered objects drawn from  
27 it, the master board upon which such objects are placed as drawn, the  
28 cards or sheets bearing numbers or other designations to be covered and  
29 the objects used to cover them, the board or signs, however operated, used  
30 to announce or display the numbers or designations as they are drawn, the  
31 public address system, and all other articles essential to the operation,  
32 conduct and playing of bingo.

33 8. "Fraternal organization" means any organization within this  
34 state, except college and high school fraternities, not for pecuniary  
35 profit, which is a branch or lodge or chapter of a national or state  
36 organization and exists for the common business, brotherhood or other  
37 interests of its members and which national or state organization has so  
38 existed for two years in Arizona prior to making application for a license  
39 under this article. Fraternal organization shall also include not more  
40 than one auxiliary of such organization.

41 9. "Gross receipts" means the total of the following:

42 (a) The receipts from the sale of shares, tickets or rights in any  
43 manner connected with participation in a game of bingo or the right to  
44 participate therein, including any admission fee, charge for cards,  
45 daubers or other devices, the sale of equipment or supplies and all other

1 miscellaneous receipts, excluding sales of food or beverages or other  
2 products which are not required to play bingo games.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

41 23. "Premises" means any room, hall, building, enclosure or outdoor  
42 area used for the purpose of playing a game of bingo. Premises shall not  
43 be subdivided to provide multiple premises.

1           24. "Proceeds coordinator" means a person who has primary  
2 responsibility for the use of bingo game proceeds in accordance with law  
3 and for all checks issued from bingo game proceeds and is designated as  
4 the proceeds coordinator in the application for a license.

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

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

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

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

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

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

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

39           32. "~~Voluntary fire fighters~~ VOLUNTEER FIREFIGHTERS organization"  
40 means any organization within this state, not for pecuniary profit,  
41 established pursuant to title 48, chapter 5 which has been in existence  
42 continuously for two years immediately before applying for a license under  
43 this article.

1           Sec. 2. Section 10-11202, Arizona Revised Statutes, is amended to  
2 read:

3           10-11202. Sale of assets other than in regular course of  
4                                   activities

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

10          B. For a proposed transaction to be approved, all of the following  
11 shall have occurred:

12           1. The board of directors shall approve the transaction. If the  
13 members of the corporation are entitled to vote on the proposed  
14 transaction, the board of directors shall submit the proposed transaction  
15 for approval by its members and shall recommend the proposed transaction  
16 to the members, unless the board of directors determines that because of a  
17 conflict of interest or other special circumstances it should not make a  
18 recommendation and communicates the basis for its determination to the  
19 members with the plan.

20           2. If the members of the corporation are entitled to vote on the  
21 proposed transaction, the members entitled to vote on the proposed  
22 transaction shall approve the proposed transaction.

23           3. Each person whose approval is required by the articles of  
24 incorporation for the sale, lease, exchange or other disposal shall  
25 approve the proposed transaction in writing.

26          C. The board of directors may condition its submission of the  
27 proposed transaction on any basis.

28          D. If the corporation submits the transaction for member action at  
29 a membership meeting, the corporation shall notify each member to which  
30 the proposed transaction is to be submitted for approval of the proposed  
31 membership meeting in accordance with section 10-3705. The notice shall  
32 state that the purpose or one of the purposes of the meeting is to  
33 consider the proposed transaction and shall contain or be accompanied by a  
34 copy or summary of a description of the transaction.

35          E. Unless chapters 24 through 40 of this title, the articles of  
36 incorporation or the board of directors acting pursuant to subsection C of  
37 this section, ~~requires~~ requires a greater vote or voting by class, a majority of  
38 the votes cast or a majority of the voting power of the class, whichever  
39 is less, shall approve the proposed transaction to be authorized.

40          F. At any time before consummation of the sale, lease, exchange or  
41 other disposition of property, the transaction may be abandoned, subject  
42 to any contractual rights, without further action by the members or any  
43 other person who approved the transaction, in accordance with the  
44 procedure set forth in the resolution proposing the transaction or, if  
45 none is set forth, in the manner determined by the board of directors.

1 G. A transaction that constitutes a distribution is governed by  
2 sections 10-11301 and 10-11302 and not by this section.

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

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

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

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

35 J. Notice of the intended transaction shall include the time, date  
36 and place of the public hearing, the names of the parties to the  
37 transaction, a general summary of the intended transaction, a general  
38 description of the assets to be purchased, leased or otherwise acquired  
39 and a general description of the intended use of the assets after the  
40 completion of the transaction. The notice shall be published three  
41 consecutive times in a newspaper of general circulation in the county of  
42 the known place of business of the corporation or foreign corporation from  
43 which the assets are intended to be purchased, leased or otherwise  
44 acquired. The first notice shall be published no less than twenty days  
45 before the intended purchase, lease or acquisition occurs.

1 K. The requirements of subsections I and J of this section do not  
2 apply to the purchase, lease or other acquisition of assets under this  
3 section from a domestic or foreign corporation as provided in this section  
4 if any of the following applies:

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

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

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

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

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

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

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

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

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

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

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

40 M. The exemption provided by subsection K, paragraph 7 of this  
41 section does not apply to a corporation or foreign corporation that  
42 provides services to or operates assets of such a governmental entity  
43 pursuant to a lease or contract.

1           Sec. 3. Section 10-11251, Arizona Revised Statutes, is amended to  
2 read:

3           10-11251. Definitions

4           In this chapter, unless the context otherwise requires:

5           1. "Assets" means all real, personal, tangible and intangible  
6 property and rights in property, including cash, buildings, equipment,  
7 investments and contracts with other entities.

8           2. "Community benefit activity" means any activity furthering  
9 community benefit purposes including any health care activity that  
10 includes education, prevention, promotion of community health, indigent  
11 care or any other charitable purpose.

12           3. "Community benefit assets" means every asset that has been used  
13 in connection with community benefit activity during the previous year.

14           4. "Community benefit organization" means a nonprofit charitable  
15 organization that is ~~tax-exempt~~ TAX-EXEMPT under section 501(c)(3) of the  
16 internal revenue code and whose mission is solely to engage in community  
17 benefit activities.

18           5. "Community benefit purposes" means those purposes for which an  
19 entity may qualify for exemption pursuant to ~~section 43-1201, paragraph 4~~  
20 ~~or~~ section 501(c)(3) of the internal revenue code, or for similar activity  
21 engaged in by a for profit organization.

22           6. "Community health center" means a primary care facility that  
23 provides medical care in medically underserved areas as designated in  
24 section 36-2352 or in medically underserved areas or medically underserved  
25 populations as designated by the United States department of health and  
26 human services.

27           7. "Nonprofit health care entity" means a licensed hospital or  
28 community health center that holds ~~tax-exempt~~ TAX-EXEMPT status pursuant  
29 to ~~section 43-1201, paragraph 4 or~~ section 501(c)(3) of the internal  
30 revenue code.

31           8. "Notice of completion" means the written notice that is sent by  
32 the hearing officer to the chairman of the corporation commission after  
33 the hearing officer holds a public hearing and files a summary report  
34 pursuant to section 10-11253.

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

37           13-3301. Definitions

38           In this chapter, unless the context otherwise requires:

39           1. "Amusement gambling" means gambling involving a device, game or  
40 contest which is played for entertainment if all of the following apply:

41           (a) The player or players actively participate in the game or  
42 contest or with the device.

43           (b) The outcome is not in the control to any material degree of any  
44 person other than the player or players.

1 (c) The prizes are not offered as a lure to separate the player or  
2 players from their money.

3 (d) Any of the following:

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

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

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

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

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

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

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

43 5. "Player" means a natural person who participates in gambling.

1           6. "Regulated gambling" means either:

2           (a) Gambling conducted in accordance with a tribal-state gaming  
3 compact or otherwise in accordance with the requirements of the Indian  
4 gaming regulatory act of 1988 (P.L. 100-497; 102 Stat. 2467; 25 United  
5 States Code sections 2701 through 2721 and 18 United States Code sections  
6 1166 through 1168); or

7           (b) Gambling to which all of the following apply:

8           (i) It is operated and controlled in accordance with a statute,  
9 rule or order of this state or of the United States.

10           (ii) All federal, state or local taxes, fees and charges in lieu of  
11 taxes have been paid by the authorized person or entity on any activity  
12 arising out of or in connection with the gambling.

13           (iii) If conducted by an organization which is exempt from taxation  
14 of income under section ~~43-1201~~ 501 OF THE INTERNAL REVENUE CODE, the  
15 organization's records are open to public inspection.

16           (iv) Beginning on June 1, 2003, none of the players is under  
17 twenty-one years of age.

18           7. "Social gambling" means gambling that is not conducted as a  
19 business and that involves players who compete on equal terms with each  
20 other in a gamble if all of the following apply:

21           (a) No player receives, or becomes entitled to receive, any  
22 benefit, directly or indirectly, other than the player's winnings from the  
23 gamble.

24           (b) No other person receives or becomes entitled to receive any  
25 benefit, directly or indirectly, from the gambling activity, including  
26 benefits of proprietorship, management or unequal advantage or odds in a  
27 series of gambles.

28           (c) Until June 1, 2003, none of the players is below the age of  
29 majority. Beginning on June 1, 2003, none of the players is under  
30 twenty-one years of age.

31           (d) Players "compete on equal terms with each other in a gamble"  
32 when no player enjoys an advantage over any other player in the gamble  
33 under the conditions or rules of the game or contest.

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

36           13-3302. Exclusions

37           A. The following conduct is not unlawful under this chapter:

38           1. Amusement gambling.

39           2. Social gambling.

40           3. Regulated gambling if the gambling is conducted in accordance  
41 with the statutes, rules or orders governing the gambling.

42           4. Gambling that is conducted at state, county or district fairs  
43 and that complies with section 13-3301, paragraph 1, subdivision (d).

44           B. An organization that has qualified for an exemption from  
45 taxation of income under section ~~43-1201, subsection A, paragraph 1, 2, 4,~~

1 ~~5, 6, 7, 10 or 11~~ 501 OF THE INTERNAL REVENUE CODE may conduct a raffle  
2 that is subject to the following restrictions:

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

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

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

13 4. ~~Nothing in~~ Paragraph 1 or 3 of this subsection ~~prohibits~~ DOES  
14 NOT PROHIBIT:

15 (a) A licensed general hospital, a licensed special hospital or a  
16 foundation established to support cardiovascular medical research that is  
17 exempt from taxation of income under ~~section 43-1201, subsection A,~~  
18 ~~paragraph 4 or~~ section 501(c)(3) of the internal revenue code from  
19 contracting with an outside agent who participates in the management,  
20 sales or operation of the raffle if the proceeds of the raffle are used to  
21 fund medical research, graduate medical education or indigent care and the  
22 raffles are conducted no more than three times per calendar year. The  
23 maximum fee for an outside agent shall not exceed fifteen percent of the  
24 net proceeds of the raffle.

25 (b) An entity that is exempt from taxation of income under ~~section~~  
26 ~~43-1201, subsection A, paragraph 4 or~~ section 501(c)(3) of the internal  
27 revenue code and that has at least a twenty-year history of providing  
28 comprehensive services to prevent child abuse and to provide services and  
29 advocacy for victims of child abuse from contracting with an outside agent  
30 who participates in the management, sales or operation of the raffle if  
31 the proceeds of the raffle are used to provide comprehensive services to  
32 prevent child abuse and to provide services and advocacy for victims of  
33 child abuse and the raffles are conducted no more than three times per  
34 calendar year. The maximum fee for an outside agent shall not exceed  
35 fifteen percent of the net proceeds of the raffle.

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

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

43 2. The historical society must have been in existence continuously  
44 in this state for a ~~five year~~ FIVE-YEAR period immediately before  
45 conducting the raffle.

1           3. ~~No~~ A person, except FOR a bona fide local member of the  
2 sponsoring historical society, may NOT participate directly or indirectly  
3 in the management, sales or operation of the raffle.

4           D. A nonprofit organization that is a booster club, a civic club or  
5 a political club or political organization that is formally affiliated  
6 with and recognized by a political party in this state may conduct a  
7 raffle that is subject to the following restrictions:

8           1. ~~No~~ A member, director, officer, employee or agent of the club or  
9 organization may NOT receive any direct or indirect pecuniary benefit  
10 other than being able to participate in the raffle on a basis equal to all  
11 other participants.

12           2. ~~No~~ A person, except FOR a bona fide local member of the  
13 sponsoring club or organization, may NOT participate directly or  
14 indirectly in the management, sales or operation of the raffle.

15           3. The maximum annual benefit that the club or organization  
16 receives for all raffles is ten thousand dollars.

17           4. The club or organization is organized and operated exclusively  
18 for pleasure, recreation or other nonprofit purposes and no part of the  
19 club's or organization's net earnings inures to the personal benefit of  
20 any member, director, officer, employee or agent of the club or  
21 organization.

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

24           13-3311. Amusement gambling intellectual contests or events;  
25                                   registration; filing of rules; sworn statement;  
26                                   exceptions

27           A. Before any person conducts an amusement gambling intellectual  
28 contest or event pursuant to section 13-3301, paragraph 1, subdivision  
29 (d), item (iii), the person shall register with the attorney general's  
30 office. The registration shall include:

31           1. The name and address of the person conducting the contest or  
32 event.

33           2. The minimum dollar amount of all prizes to be awarded.

34           3. The duration of the event.

35           4. The statutory agent or person authorized to accept service of  
36 process in Arizona for the person conducting the contest or event.

37           5. All rules governing the contest or event, including the rules  
38 applicable in case of a tie.

39           6. The name and description of the product and the established  
40 purchase price for the product.

41           B. Within ten days following the award of all prizes in connection  
42 with an amusement gambling intellectual contest or event, the person  
43 conducting the contest or event shall file with the attorney general's  
44 office the names and addresses of all persons who have won prizes in  
45 connection with the contest or event.

1 C. For each amusement gambling intellectual contest or event held,  
2 the person conducting the event shall file with the attorney general's  
3 office a sworn statement under oath that no increment has been added to  
4 the established purchase price for the product in connection with the  
5 gambling event.

6 D. This section does not apply to organizations that have qualified  
7 for an exemption from taxation of income under section ~~43-1201, paragraph~~  
8 ~~1, 2, 4, 5, 6, 7, 10 or 11~~ 501 OF THE INTERNAL REVENUE CODE or to academic  
9 competitions conducted by school districts or charter schools that award  
10 cash, prizes or scholarships to participants.

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

13 20-117. Definitions

14 In this title, unless the context otherwise requires:

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

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

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

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

30 20-1104. Insurable interest with respect to personal  
31 insurance; definition

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

39 B. If the beneficiary, assignee or other payee under any contract  
40 made in violation of this section receives from the insurer any benefits  
41 thereunder accruing ~~upon~~ ON the death, disablement or injury of the  
42 individual insured, the individual insured or his executor or  
43 administrator, as the case may be, may maintain an action to recover such  
44 benefits from the person so receiving them.

1 C. "Insurable interest" with reference to personal insurance  
2 includes only interests as follows:

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

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

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

16 4. A charitable organization as provided in section ~~43-1201,~~  
17 ~~paragraph 4~~ 501(c)(3) OF THE INTERNAL REVENUE CODE, which has a policy  
18 ownership interest has an insurable interest in the life of each proposed  
19 insured who joins with the charitable organization in applying for a life  
20 insurance policy naming the charitable organization as owner and  
21 irrevocable beneficiary.

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

24 20-1631. Definition of motor vehicle; cancellation of or  
25 failure to renew coverage; limitations; limitation  
26 of liability; exceptions; insurance producers;  
27 definitions

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

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

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

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

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

44 B. A motor vehicle used as a public or livery conveyance or rented  
45 to others does not include a motor vehicle used in the course of volunteer

1 work for a tax-exempt organization as described in section ~~43-1201,~~  
2 ~~subsection A, paragraph 4~~ 501(c)(3) OF THE INTERNAL REVENUE CODE.

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

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

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

19 2. The insurance was obtained through fraudulent misrepresentation.

20 3. The named insured, any person who resides in the same household  
21 as the named insured and customarily operates a motor vehicle insured  
22 under the policy or any other person who regularly and frequently operates  
23 a motor vehicle insured under the policy:

24 (a) Has had the person's driver license suspended or revoked during  
25 the policy period.

26 (b) Develops a permanent disability, either physically or mentally,  
27 and such individual does not produce a certificate from a physician or a  
28 registered nurse practitioner testifying to such person's ability to  
29 operate a motor vehicle.

30 (c) Is or has been convicted during the thirty-six months  
31 immediately preceding the effective date of the policy or during the  
32 policy period of:

33 (i) Criminal negligence resulting in death, homicide or assault and  
34 arising out of the operation of a motor vehicle.

35 (ii) Operating a motor vehicle while in an intoxicated condition or  
36 while under the influence of drugs.

37 (iii) Leaving the scene of an accident.

38 (iv) Making false statements in an application for a driver  
39 license.

40 (v) Reckless driving.

41 4. The insurer is placed in rehabilitation or receivership by the  
42 insurance supervisory official in its state of domicile or by a court of  
43 competent jurisdiction or the director has suspended the insurer's  
44 certificate of authority based on its financially hazardous condition.

1           5. The named insured, any person who resides in the same household  
2 as the named insured and customarily operates a motor vehicle insured  
3 under the policy or any other person who regularly and frequently operates  
4 a motor vehicle insured under the policy uses a motor vehicle rated or  
5 insured under the policy as a private passenger motor vehicle regularly  
6 and frequently for commercial purposes.

7           6. From and after February 29, 2016, the named insured, any person  
8 who resides in the same household as the named insured and who customarily  
9 operates a motor vehicle insured under the policy or any other person who  
10 regularly and frequently operates a motor vehicle insured under the policy  
11 uses a motor vehicle rated or insured under the policy to provide  
12 transportation network services unless, while the driver is logged in to  
13 the transportation network company's digital network or software  
14 application to be a driver or is providing transportation network  
15 services, the named insured either:

16           (a) Has procured an endorsement to the private passenger policy  
17 that expressly provides such coverage.

18           (b) Is covered by a motor vehicle liability insurance policy issued  
19 by another insurer expressly providing such coverage.

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

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

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

40           G. This article does not apply to any policy that has been in  
41 effect less than sixty days at the time notice of cancellation is mailed  
42 or delivered by the insurer unless the policy is a renewal policy, or to  
43 policies:

44           1. Insuring any motor vehicle other than a private passenger motor  
45 vehicle as defined in section 20-117.

1           2. Insuring the motor vehicle hazard of garages, motor vehicle  
2 sales agencies, repair shops, service stations or public parking places.

3           3. Providing insurance only on an excess basis.

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

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

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

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

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

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

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

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

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

32           K. Notwithstanding any law to the contrary, if an insurer chooses  
33 to renew a policy, the issuance at renewal of revised policy provisions to  
34 modify an existing policy by adding coverages or policy provisions,  
35 modifying coverages or policy provisions or eliminating coverages or  
36 policy provisions is not a nonrenewal or cancellation of the policy if the  
37 modification of a basic coverage does not eliminate the essential benefit  
38 of that basic coverage. If the modification of the basic coverage  
39 eliminates the essential benefit of the basic coverage, the director shall  
40 order the insurer to remove the modification from the policy. This  
41 subsection does not allow the insurer, without the written consent of the  
42 insured, to eliminate the basic coverages of the policy or to reduce the  
43 monetary limits of any of the basic coverages of the policy that were  
44 selected and agreed on. If an insurer chooses to renew a policy, this  
45 subsection does not limit a policyholder from continuing to renew

1 uninsured or underinsured motorist coverage pursuant to section 20-259.01.  
2 For the purposes of this subsection, "basic coverage" means any of the  
3 following:

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

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

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

26 1. In addition to any other reason provided in this section, an  
27 insurer may refuse to renew an insurance policy issued pursuant to this  
28 article if all of the following conditions apply:

29 (a) The insurer clearly discloses to the applicant and the insured  
30 in the application for insurance and insurance policy that both the  
31 payment of dues and current membership in the bona fide association are  
32 prerequisites to obtaining or renewing the insurance.

33 (b) Any money paid to the bona fide association as a membership  
34 fee:

35 (i) Is not used by the insurer directly or indirectly to defray any  
36 costs or expenses in connection with the sale or purchase of the  
37 insurance.

38 (ii) Is set independently of any factor used by the insurer to make  
39 any judgment or determination about the eligibility of any individual,  
40 including the member, an employee of a member or a dependent of a member,  
41 to purchase or renew the insurance.

42 (c) The bona fide association has filed a certification with the  
43 director verifying the eligibility of the insurer to refuse to renew an  
44 insurance policy based on membership in the bona fide association.

1           2. To qualify as a bona fide association pursuant to this  
2 subsection, the association shall meet all of the requirements of this  
3 paragraph. The association shall file a statement with the director at  
4 least thirty days before the commencement of the offer or sale of  
5 insurance as provided by this subsection verifying that the association  
6 meets the requirements of this paragraph. The association shall update  
7 the filing required by this paragraph at least thirty days before the  
8 effective date of any material change in the information contained in the  
9 statement, and shall file a separate notice with the director if the  
10 insurance described in the statement is no longer available through the  
11 association. The statement shall include the following information:

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

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

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

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

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

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

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

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

37           4. If the membership fees constitute premiums pursuant to paragraph  
38 3 of this subsection, an insurer shall not refuse to renew a policy as  
39 otherwise permitted by this subsection.

40           N. An insurer or insurance producer shall not inquire on an  
41 application for a motor vehicle insurance policy whether the applicant,  
42 any person who resides in the same household as the applicant and  
43 customarily operates a motor vehicle to be insured under the policy, or  
44 any other person who regularly and frequently operates a motor vehicle to  
45 be insured under the policy has been nonrenewed by an insurer.



1 EACH JURISDICTION LEVYING A USE TAX, TO CALCULATE THE USE TAXES REQUIRED  
2 TO BE COLLECTED PURSUANT TO SUBSECTION A OF THIS SECTION.

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

5 28-4333. Licensing requirement; exemptions

6 A. A new motor vehicle shall not be sold in this state unless  
7 either the manufacturer on direct dealerships of domestic vehicles, the  
8 importer of foreign manufactured vehicles on direct dealerships or the  
9 distributor on indirect dealerships of either domestic or foreign vehicles  
10 is licensed as provided in this chapter. Obtaining the license  
11 conclusively establishes that the manufacturer, distributor or importer is  
12 subject to the laws of this state regulating manufacturers, importers and  
13 distributors.

14 B. An organization that has qualified for an exemption from  
15 taxation of income under section ~~43-1201, subsection A, paragraph 1, 2, 4,~~  
16 ~~5, 6, 7, 10 or 11~~ 501 OF THE INTERNAL REVENUE CODE may sell a donated used  
17 motor vehicle without obtaining a license under this chapter, subject to  
18 the following:

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

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

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

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

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

38 C. Notwithstanding any other provision of this chapter, a person  
39 who receives or does not receive consideration for providing a purchaser  
40 the opportunity to purchase a motor vehicle from a licensed new motor  
41 vehicle dealer at a price that does not exceed a certain amount is not  
42 required to be licensed as a motor vehicle dealer or broker under this  
43 chapter if the person does not participate in the negotiation of the  
44 actual price paid, the delivery terms or any other terms related to the  
45 purchase of the vehicle.

1           Sec. 12. Section 28-4548, Arizona Revised Statutes, is amended to  
2 read:

3           28-4548. Issuance of temporary registration permits by  
4                                   manufacturers or dealers

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

9           1. An organization that has qualified for an exemption from  
10 taxation of income under section ~~43-1201, paragraph 1, 2, 4, 5, 6, 7, 10~~  
11 ~~or 11~~ 501 OF THE INTERNAL REVENUE CODE.

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

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

15           41-1376.01. Additional powers and duties; definitions

16           A. In addition to the powers and duties prescribed in section  
17 41-1376, the ombudsman-citizens aide shall appoint two assistants, one of  
18 whom shall be an attorney, to help the ombudsman-citizens aide investigate  
19 complaints relating to public access laws involving an agency and  
20 complaints and compliance with reporting requirements pursuant to this  
21 article. The assistants shall train public officials and educate the  
22 public on the rights of the public and the responsibilities of public  
23 agencies under the public access laws. The assistants shall prepare  
24 interpretive and educational materials and programs in cooperation with  
25 the ombudsman-citizens aide and shall distribute to elected or appointed  
26 public officials the public access laws and educational materials  
27 concerning the public access laws.

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

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

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

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

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

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

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

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

45           3. Hold hearings.

1           4. Notwithstanding any other law, have access to all agency  
2 records, including confidential records, except:

3           (a) Sealed court records without a subpoena.

4           (b) Active criminal investigation records.

5           (c) Records that could lead to the identity of confidential police  
6 informants.

7           (d) Attorney work product and communications that are protected  
8 under attorney-client privilege.

9           (e) Confidential information as defined in section 42-2001, except  
10 as provided in section 42-2003, subsection ~~M~~ L.

11           (f) Information protected by section 6103(d), 6103(p) or 7213 of  
12 the internal revenue code.

13           (g) Confidential information relating to section 36-2903,  
14 subsection I, section 36-2917, section 36-2932, subsection F or section  
15 36-2972.

16           (h) Confidential information relating to sections 36-507, 36-509  
17 and 36-2220.

18           (i) Documents that are protected by section 214 of the critical  
19 infrastructure information act of 2002 (6 United States Code section  
20 133(a)) or by 49 Code of Federal Regulations part 1520.

21           (j) Information that is protected by section 214 of the critical  
22 infrastructure information act of 2002 (6 United States Code section  
23 133(a)) or 49 Code of Federal Regulations part 1520 or critical  
24 infrastructure information as defined by section 41-1801 on government  
25 owned facilities that are classified as critical infrastructure by the  
26 federal government or as defined by section 41-1801.

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

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

40           E. For the purposes of this section:

41           1. "Agency" has the same meaning prescribed in section 41-1371 but  
42 includes a public body as defined in section 39-121.01, subsection A,  
43 paragraph 2.

44           2. "Public access laws" means:

45           (a) Title 39, chapter 1.

1 (b) Title 38, chapter 3, article 3.1.

2 (c) Any other state statute or rule governing access to public  
3 meetings or public records.

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

6 41-1378. Complaint; investigation; investigative authority;  
7 violation; classification

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

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

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

21 D. In an investigation, the ombudsman-citizens aide may:

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

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

26 3. Hold hearings.

27 4. Notwithstanding any other law, have access to all state agency  
28 records, including confidential records, except:

29 (a) Sealed court records without a subpoena.

30 (b) Active criminal investigation records.

31 (c) Records that could lead to the identity of confidential police  
32 informants.

33 (d) Attorney work product and communications that are protected  
34 under the attorney-client privilege.

35 (e) Confidential information as defined in section 42-2001, except  
36 as provided in section 42-2003, subsection ~~M~~ L.

37 (f) Information protected by section 6103(d), 6103(p)(8) or 7213 of  
38 the internal revenue code.

39 (g) Confidential information relating to section 36-2903,  
40 subsection I, section 36-2917, section 36-2932, subsection F or section  
41 36-2972.

42 (h) Confidential information relating to sections 36-507, 36-509  
43 and 36-2220.

44 5. Issue subpoenas if necessary to compel the attendance and  
45 testimony of witnesses and the production of books, records, documents and

1 other evidence to which the ombudsman-citizens aide may have access  
2 pursuant to paragraph 4 of this subsection. The ombudsman-citizens aide  
3 may only issue a subpoena if the ombudsman-citizens aide has previously  
4 requested testimony or evidence and the person or agency to which the  
5 request was made has failed to comply with the request in a reasonable  
6 amount of time.

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

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

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

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

30 42-1001. Definitions

31 In this title, unless the context otherwise requires:

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

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

36 3. "Department" means the department of revenue.

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

38 5. "ELECTRONICALLY SEND" OR "SEND ELECTRONICALLY" MEANS TO SEND BY  
39 EITHER E-MAIL OR THE USE OF AN ELECTRONIC PORTAL.

40 6. "ELECTRONIC PORTAL" MEANS A SECURE LOCATION ON A WEBSITE  
41 ESTABLISHED BY THE DEPARTMENT THAT REQUIRES THE RECEIVER TO ENTER A  
42 PASSWORD TO ACCESS.

43 7. "E-MAIL" MEANS AN ELECTRONIC TRANSMISSION OF A MESSAGE TO AN  
44 E-MAIL ADDRESS. IF THE MESSAGE CONTAINS CONFIDENTIAL INFORMATION THEN  
45 "E-MAIL" MEANS THE ELECTRONIC TRANSMISSION OF A MESSAGE TO AN E-MAIL

1 ADDRESS USING ENCRYPTION SOFTWARE THAT REQUIRES THE RECEIVER TO ENTER A  
2 PASSWORD BEFORE THE MESSAGE CAN BE RETRIEVED AND VIEWED.

3 ~~5.~~ 8. "Internal revenue code" means the United States internal  
4 revenue code of 1986, as amended and in effect as of January 1, 2017,  
5 including those provisions that became effective during 2016 with the  
6 specific adoption of their retroactive effective dates but excluding all  
7 changes to the code enacted after January 1, 2017.

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

10 42-1105. Taxpayer identification, verification and records:  
11 retention

12 A. The federal taxpayer identification number, assigned pursuant to  
13 section 6109 of the internal revenue code, is the taxpayer identifier for  
14 purposes of the taxes administered pursuant to this article. Each person  
15 who is required to make a return, statement or other document shall  
16 include the identifier in order to secure the person's proper  
17 identification. If the return, statement or other document is made,  
18 electronically or otherwise, by another person on behalf of the taxpayer,  
19 the taxpayer shall furnish the identifier to the other person, and the  
20 person shall furnish both the taxpayer's identifier and ~~his~~ THE PERSON'S  
21 own identifier with the return, statement or document.

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

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

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

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

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

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

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

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

28 H. For at least the period of time prescribed by section 42-1104,  
29 the department shall retain ~~records~~ ANY RETURN, STATEMENT OR OTHER  
30 DOCUMENT, AS DEFINED IN SECTION 42-1101.01, AS A RECORD pursuant to  
31 sections 41-151.14, 41-151.15, 41-151.16, 41-151.17 and 41-151.19.  
32 ANYTHING SUBMITTED WITH THE RETURN, STATEMENT OR OTHER DOCUMENT AS DEFINED  
33 IN SECTION 42-1101.01 THAT IS NOT REQUIRED, AUTHORIZED OR REQUESTED BY THE  
34 DEPARTMENT IS NOT PART OF THE RECORD AND MAY BE DESTROYED, UNLESS IT IS,  
35 AT THE DEPARTMENT'S REASONABLE DISCRETION, OF MORE THAN DE MINIMIS VALUE.  
36 COPIES OF ORIGINAL DOCUMENTS OF WHICH THE DEPARTMENT REASONABLY EXPECTS  
37 THE TAXPAYER HAS RETAINED ANY ORIGINALS ARE PRESUMED TO BE OF DE MINIMIS  
38 VALUE FOR PURPOSES OF THIS SECTION. IF THE DEPARTMENT DETERMINES THAT ANY  
39 DOCUMENT THAT IS NOT REQUIRED, AUTHORIZED OR REQUESTED BY THE DEPARTMENT  
40 PURSUANT TO THIS SUBSECTION IS OF MORE THAN DE MINIMIS VALUE, WITHIN TEN  
41 DAYS AFTER RECEIPT THE DEPARTMENT SHALL NOTIFY THE TAXPAYER IN WRITING OR  
42 BY ELECTRONIC MEANS OF ITS INTENT TO DESTROY THE DOCUMENT. IF THE  
43 TAXPAYER REQUESTS THE RETURN OF ANY DOCUMENT INCLUDED IN THE NOTICE, THE  
44 DEPARTMENT SHALL IMMEDIATELY COMPLY, ALTHOUGH THE DIRECTOR MAY REQUIRE THE  
45 TAXPAYER TO PAY ANY SHIPPING COSTS TO RETURN THE DOCUMENT. IF THE

1 TAXPAYER DOES NOT REQUEST THE RETURN OF THE DOCUMENTS WITHIN THIRTY DAYS  
2 AFTER THE DATE ON THE NOTICE OR THE TAXPAYER CONSENTS TO THE DESTRUCTION  
3 OF THE DOCUMENTS, WHICHEVER OCCURS FIRST, THE DEPARTMENT MAY DESTROY THE  
4 DOCUMENTS INCLUDED IN THE NOTICE.

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

7 42-1108. Audit; deficiency assessments; definition

8 A. If a taxpayer fails to file a return required by this title or  
9 title 43, or if the department is not satisfied with the return or payment  
10 of the amount of tax required to be paid under either title, the  
11 department may examine any return, including any books, papers, records or  
12 memoranda relating to the return, to determine the correct amount of tax.  
13 This examination must occur within the time periods prescribed by section  
14 42-1104 and may be accomplished through a detailed review of transactions  
15 or records or by a statistically valid sampling method.

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

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

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

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

40 3. THE DATE OF RECEIPT FOR A NOTICE PROVIDED BY ELECTRONIC PORTAL  
41 IS THE LATER OF THE DATE THE NOTICE IS POSTED TO THE ELECTRONIC PORTAL OR  
42 THE DATE THE NOTIFICATION IS RECEIVED BY THE TAXPAYER. A NOTIFICATION  
43 SENT BY E-MAIL IS CONSIDERED TO BE RECEIVED BY THE TAXPAYER ON THE DAY IT  
44 IS SENT BY THE DEPARTMENT.

1           ~~E.~~ D. If a deficiency is determined and the assessment becomes  
2 final, the department shall mail notice and demand to the taxpayer for the  
3 payment of the deficiency. Notwithstanding section 42-1125, subsection E,  
4 the deficiency assessed is due and payable at the expiration of ten days  
5 from the date of the notice and demand.

6           ~~D.~~ E. A certificate by the department of the mailing **OR E-MAILING**  
7 of the notices specified in this section is prima facie evidence of the  
8 assessment of the deficiency and the giving of the notices.

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

16           ~~F.~~ G. An adjustment due to any of the following is considered a  
17 nonaudit adjustment:

18           1. An addition, subtraction, multiplication, division or other  
19 mathematical error shown on any return.

20           2. The failure of the taxpayer to properly compute the tax  
21 liability based on the taxable income reported on the return.

22           3. An incorrect usage or selection of information for a filed  
23 return from tax tables, schedules or similar documents provided by the  
24 department if the incorrect usage is apparent from the existence of other  
25 information on the return.

26           4. An entry on a return that is inconsistent with an entry on a  
27 schedule, form, statement, list or other document filed with the return.

28           5. An omission of information required on the return to  
29 substantiate an entry.

30           6. An entry on a return of a deduction or credit in an amount that  
31 exceeds a statutory limit if the limit is a monetary figure, a percentage,  
32 a ratio or a fraction and the items entered into the application of this  
33 limit appear on the return, including claiming a deduction or credit that  
34 is not authorized by statute for the taxable period.

35           7. Missing or incorrect taxpayer identification numbers for the  
36 purposes of claiming personal exemptions, dependents or credits.

37           8. An entry of a credit or deduction that requires a preapproval if  
38 the credit or deduction has not been preapproved or if the entry is for  
39 more than the preapproved amount.

40           9. An entry of a credit or deduction amount carried forward from a  
41 prior year that is outside of the statutory period allowed for the  
42 carryforward or is for an amount that is inconsistent with the taxpayer's  
43 prior year returns.

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

1 INSTEAD OF PROVIDING THE ACTUAL DOCUMENT WITH THE RETURN, THE DEPARTMENT  
2 MAY REQUEST A COPY OF THE DOCUMENT FROM THE TAXPAYER AT ANY TIME. IF THE  
3 TAXPAYER PROVIDES THE DOCUMENT, THE DEPARTMENT MAY ADJUST THE RETURN TO  
4 REFLECT THE AMOUNTS ON THE DOCUMENT. IF THE TAXPAYER DOES NOT PROVIDE THE  
5 REQUESTED DOCUMENT WITHIN THE PERIOD PROVIDED BY THE DEPARTMENT, THE  
6 DEPARTMENT MAY DENY ANY DEDUCTION, CREDIT OR WITHHOLDING THAT THE DOCUMENT  
7 IS INTENDED TO SUBSTANTIATE.

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

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

13 42-1111. Jeopardy assessments

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

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

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

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

42 1. The belief of the department under subsection A of this section,  
43 whether or not made after notice to the taxpayer, is for all purposes  
44 presumptive evidence that the assessment or collection of the tax or the  
45 deficiency was in jeopardy.



1 identification numbers used by the taxpayer. Even if the taxpayer is not  
2 entitled to a refund, the department of revenue shall provide to:

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

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

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

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

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

26 1. Of the intention to set off the debt against the refund due.

27 2. Of the taxpayer's right to appeal to the appropriate court, ~~or~~ or  
28 to request a review by the agency or political subdivision pursuant to  
29 agency or political subdivision rule, within thirty days ~~of~~ AFTER the  
30 PHYSICAL OR ELECTRONIC mailing of the notice.

31 F. In addition, the taxpayer shall receive notice that if the  
32 refund is intercepted in error through no fault of the taxpayer, the  
33 taxpayer is entitled to the full refund plus interest and penalties from  
34 the agency, political subdivision or court as provided by subsection 0 of  
35 this section.

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

43 H. If, within thirty days ~~of~~ AFTER the PHYSICAL OR ELECTRONIC  
44 mailing of the notice, the taxpayer requests a review by the agency or  
45 political subdivision or provides the agency or political subdivision with

1 proof that an appeal has been taken to the appropriate court, the agency  
2 or political subdivision shall immediately notify the department and the  
3 setoff procedure shall be stayed pending resolution of the review or  
4 appeal.

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

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

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

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

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

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

38 O. In the case of a refund that is intercepted in error through no  
39 fault of the taxpayer under this section, the taxpayer shall be reimbursed  
40 by the agency, political subdivision or court with interest pursuant to  
41 section 42-1123. In addition, if all or part of a refund is intercepted  
42 in error due to an agency, political subdivision or court incorrectly  
43 identifying a taxpayer as a debtor through no fault of the taxpayer, the  
44 agency, political subdivision or court shall also pay the taxpayer a  
45 penalty as follows:

1           1. If the agency, political subdivision or court reimburses the  
2 taxpayer sixteen through one hundred eighty days after the agency,  
3 political subdivision or court receives notification that the refund was  
4 erroneously intercepted and the refund was received by the agency,  
5 political subdivision or court, the penalty is equal to ten percent of the  
6 amount of the refund that was intercepted.

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

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

19           P. The time periods set forth in subsection O of this section shall  
20 be stayed during a review of an agency decision pursuant to section  
21 25-522.

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

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

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

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

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

43           T. For the purposes of this section:

44           1. "Agency" means:

1 (a) A department, agency, board, commission or institution of this  
2 state. ~~Agency also means~~

3 (b) A corporation that is under contract with this state and that  
4 provides a service that would otherwise be provided by a department,  
5 agency, board, commission or institution of this state, if the contract  
6 specifically authorizes participation in the liability setoff program and  
7 the attorney general's office has reviewed the contract and approves such  
8 authorization. The participation in the liability setoff program shall be  
9 limited to debt related to the services the corporation provides for or on  
10 behalf of this state.

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

13 3. "Debt":

14 (a) Means an amount over fifty dollars THAT IS owed to an agency,  
15 political subdivision or court by a taxpayer and may include a judgment in  
16 favor of this state or a political subdivision of this state, interest,  
17 penalties, charges, costs, fees, fines, civil penalties, surcharges,  
18 assessments, administrative charges or any other amount. ~~Debt also~~

19 (b) Includes monies THAT ARE owed by a taxpayer for overdue support  
20 and THAT ARE referred to the department of economic security or the clerk  
21 of the court for collection.

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

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

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

31 42-1125. Civil penalties; definition

32 A. If a taxpayer fails to make and file a return for a tax  
33 administered pursuant to this article on or before the due date of the  
34 return or the due date as extended by the department, unless it is shown  
35 that the failure is due to reasonable cause and not due to wilful neglect,  
36 four and one-half percent of the tax required to be shown on such return  
37 shall be added to the tax for each month or fraction of a month elapsing  
38 between the due date of the return and the date on which it is filed. The  
39 total penalty shall not exceed twenty-five percent of the tax found to be  
40 remaining due. The penalty so added to the tax is due and payable on  
41 notice and demand from the department. For the purpose of computing the  
42 penalty imposed under this subsection, the amount required to be shown as  
43 tax on a return shall be reduced by the amount of any part of the tax that  
44 is paid on or before the beginning of such month and by the amount of any  
45 credit against the tax that may be claimed on the return. If the amount

1 required to be shown as tax on a return is less than the amount shown as  
2 tax on such return, the penalty described in this subsection shall be  
3 applied by substituting such lower amount.

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

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

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

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

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

38 E. If a person fails to pay any amount required to be shown on any  
39 return that is not so shown within twenty-one calendar days after the date  
40 of notice and demand, a penalty of one-half of one percent, not to exceed  
41 a total of ten percent, shall be added to the amount of tax for each month  
42 or fraction of a month during which the failure continues, unless it is  
43 shown that the failure is due to reasonable cause and not due to wilful  
44 neglect. If the taxpayer is also subject to penalty under subsection A of  
45 this section for the same tax period, the total penalties under subsection

1 A of this section and this subsection shall not exceed twenty-five  
2 percent. For the purpose of computing the penalty imposed under this  
3 subsection, any amount required to be shown on any return shall be reduced  
4 by the amount of any part of the tax that is paid on or before the  
5 beginning of that month and by the amount of any credit against the tax  
6 that may be claimed on the return.

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

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

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

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

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

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

44 L. If it appears to the superior court that proceedings before it  
45 have been instituted or maintained by a taxpayer primarily for delay or

1 that the taxpayer's position is frivolous or groundless, the court may  
2 award damages in an amount not to exceed one thousand dollars to this  
3 state. Damages so awarded shall be collected as a part of the tax.

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

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

19 O. For reporting periods beginning from and after February 28,  
20 2011, if a taxpayer who is required under section 42-1129 to make payment  
21 by electronic funds transfer fails to do so, that taxpayer shall pay a  
22 penalty of five percent of the amount of the payment not made by  
23 electronic funds transfer unless it is shown that the failure is due to  
24 reasonable cause and not due to wilful neglect. For the reporting periods  
25 beginning on July 1, 2015, the penalty in this subsection applies to any  
26 taxpayer who is required under section 42-3053 to make payment by  
27 electronic funds transfer and fails to do so unless it is shown that the  
28 failure is due to reasonable cause and not due to wilful neglect.

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

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

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

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

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

1 Q. If a taxpayer fails to pay the full amount of estimated tax  
2 required by title 43, chapter 5, article 6, a penalty is assessed equal to  
3 the amount of interest that would otherwise accrue under section 42-1123  
4 on the amount not paid for the period of nonpayment, not exceeding ten  
5 percent of the amount not paid. The penalty prescribed by this subsection  
6 is in lieu of any other penalty otherwise prescribed by this section and  
7 in lieu of interest prescribed by section 42-1123.

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

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

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

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

20 2. The amended return was filed on demand or request by the  
21 department.

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

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

34 1. For a first violation involving two thousand or more cigarettes,  
35 one thousand dollars.

36 2. For a subsequent violation involving two thousand or more  
37 cigarettes, five thousand dollars.

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

40 X. Notwithstanding subsection A of this section: ~~—~~

41 1. AND EXCEPT AS PROVIDED BY PARAGRAPH 2 OF THIS SUBSECTION, the  
42 penalty imposed on a taxpayer that fails to make and file a return for tax  
43 administered pursuant to chapter 5 or 6 of this title on or before the due  
44 date of the return or the due date as extended by the department, unless  
45 it is shown that the failure is due to a reasonable cause and not due to

1 wilful neglect, is four and one-half percent of the tax required to be  
2 shown on the return, or twenty-five dollars, whichever is greater. The  
3 penalty shall be added to the tax for each month or fraction of a month  
4 elapsing between the due date of the return and the date on which it is  
5 filed. The total penalty may not exceed twenty-five percent of the tax  
6 found to be remaining due, or one hundred dollars, whichever is greater.

7 2. THE PENALTY IMPOSED ON A TAXPAYER THAT IS REQUIRED UNDER SECTION  
8 42-5014 TO FILE ELECTRONICALLY AND THAT FAILS TO DO SO IS FIVE PERCENT OF  
9 THE AMOUNT REQUIRED TO BE SHOWN ON THE RETURN OR TWENTY-FIVE DOLLARS,  
10 WHICHEVER IS GREATER, UNLESS THE FAILURE IS DUE TO A REASONABLE CAUSE AND  
11 NOT DUE TO WILFUL NEGLIGENCE.

12 Y. Notwithstanding subsection B of this section, the penalty  
13 imposed on a taxpayer that fails to file a return pursuant to chapter 5 or  
14 6 of this title on notice and demand by the department is twenty-five  
15 percent of the tax, or one hundred dollars, whichever is greater. The  
16 penalty is due and payable on notice and demand by the department, in  
17 addition to any penalty prescribed by subsection A of this section, unless  
18 it is shown that the failure is due to a reasonable cause and not due to  
19 wilful neglect.

20 Z. For the purposes of this section, and only as applied to the  
21 taxes imposed by chapter 5, articles 1 through 6 and chapter 6, articles  
22 1, 2 and 3 of this title, "reasonable cause" means a reasonable basis for  
23 the taxpayer to believe that the tax did not apply to the business  
24 activity or the storage, use or consumption of the taxpayer's tangible  
25 personal property in this state.

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

28 42-1129. Payment of tax by electronic funds transfer

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

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

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

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

41 4. Five hundred dollars or more for any taxable year beginning from  
42 and after December 31, 2020.

1 B. A payment in immediately available monies shall be made by  
2 electronic funds transfer, with the state treasurer's approval, that  
3 ensures the availability of the monies to this state on the date of  
4 payment.

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

11 1. The taxpayer has no computer.

12 2. The taxpayer has no internet access.

13 3. Any other circumstance considered to be worthy by the director  
14 **INCLUDING THE TAXPAYER HAVING A SUSTAINED RECORD OF TIMELY PAYMENTS AND NO**  
15 **DELINQUENT TAX ACCOUNT WITH THE DEPARTMENT.**

16 D. The taxpayer shall furnish evidence as prescribed by the  
17 department that ~~the~~ **AN ELECTRONIC** payment was remitted on or before the  
18 due date.

19 E. A taxpayer who is required to make payment by electronic funds  
20 transfer but who fails to do so ~~is~~ **MAY BE** subject to the civil penalties  
21 prescribed by section 42-1125, subsection 0.

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

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

27 **42-1205. Notice and sale of seized property**

28 A. Except as otherwise provided in this section, the notice of sale  
29 and sale of property seized by the department under this article shall be  
30 conducted in the manner and the time provided in title 12, chapter 9,  
31 article 7, relating to the sale of property under execution.

32 B. Real property may be redeemed in the manner provided by title  
33 12, chapter 8, article 11.

34 C. The department shall notify the taxpayer of the date, time and  
35 location of the sale of ~~his~~ **THE** property or right to property with a  
36 description of the property or right to property to be sold. The notice  
37 shall be given in person, left at the **TAXPAYER'S** dwelling or usual place  
38 of business ~~of such taxpayer~~ or ~~shall be~~ sent by first class mail **OR BY**  
39 **E-MAIL** to ~~such~~ **THE** taxpayer's last known address, ~~not less than~~ **AT LEAST**  
40 ten days before the day of the sale. If the property or right to property  
41 is perishable, the department shall give notice of the sale to the  
42 taxpayer in the manner and within the time limits as are reasonable  
43 considering the character and condition of the property.

1           Sec. 24. Section 42-2002, Arizona Revised Statutes, is amended to  
2 read:

3           42-2002. Disclosure of confidential information prohibited

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

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

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

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

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

25           42-2003. Authorized disclosure of confidential information

26           A. Confidential information relating to:

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

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

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

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

43           5. A trust may be disclosed to the trustee or trustees, jointly or  
44 separately, and to the grantor or any beneficiary of the trust if the

1 department finds that the grantor or beneficiary has a material interest  
2 that will be affected by the confidential information.

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

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

8 B. Confidential information may be disclosed to:

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

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

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

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

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

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

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

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

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

1 (e) An agency, official or organization of an Indian tribal  
2 government with responsibilities comparable to the responsibilities of the  
3 agencies, officials or organizations identified in subdivision (a), (b) or  
4 (c) of this paragraph.

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

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

9 (a) The processing, storage, transmission, destruction and  
10 reproduction of the information.

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

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

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

17 (a) Regarding income tax or withholding tax.

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

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

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

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

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

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

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

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

37 (d) Certifying computer data centers for tax relief under section  
38 41-1519.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

43 ~~H.~~ G. Confidential information relating to transaction privilege  
44 tax, use tax, severance tax, jet fuel excise and use tax and any other tax  
45 collected by the department on behalf of any jurisdiction may be disclosed

1 to any county, city or town tax official if the information relates to a  
2 taxpayer who is or may be taxable by a county, city or town or who may be  
3 subject to audit by the department pursuant to section 42-6002. Any  
4 taxpayer information released by the department to the county, city or  
5 town:

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

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

14 ~~F.~~ H. The department may disclose statistical information gathered  
15 from confidential information if it does not disclose confidential  
16 information attributable to any one taxpayer. The department may disclose  
17 statistical information gathered from confidential information, even if it  
18 discloses confidential information attributable to a taxpayer, to:

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

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

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

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

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

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

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

44 ~~O.~~ N. This section does not prohibit the disclosure by the  
45 department of any information or documents submitted to the department by

1 a bingo licensee. Before disclosing the information the department shall  
2 obtain the name and address of the person requesting the information.

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

6 ~~Q.~~ P. Except as provided in section 42-2002, subsection D, the  
7 department of revenue shall release confidential information as requested  
8 by the department of economic security pursuant to section 42-1122 or  
9 46-291. Information disclosed under this subsection is limited to the same  
10 type of information that the United States internal revenue service is  
11 authorized to disclose under section 6103(1)(6) of the internal revenue  
12 code.

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

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

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

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

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

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

32 ~~U.~~ T. For proceedings before the department, the office of  
33 administrative hearings, the board of tax appeals or any state or federal  
34 court involving penalties that were assessed against a return preparer, an  
35 electronic return preparer or a payroll service company pursuant to  
36 section 42-1103.02, 42-1125.01 or 43-419, confidential information may be  
37 disclosed only before the judge or administrative law judge adjudicating  
38 the proceeding, the parties to the proceeding and the parties'  
39 representatives in the proceeding prior to its introduction into evidence  
40 in the proceeding. The confidential information may be introduced as  
41 evidence in the proceeding only if the taxpayer's name, the names of any  
42 dependents listed on the return, all social security numbers, the  
43 taxpayer's address, the taxpayer's signature and any attachments  
44 containing any of the foregoing information are redacted and if either:

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

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

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

10          ~~V.~~ U. The department and attorney general may share the  
11 information specified in subsection ~~F~~ S of this section with any of the  
12 following:

13           1. Federal, state or local agencies located in this state for the  
14 purposes of enforcement of the statutes or agreements specified in  
15 subsection ~~F~~ S of this section or for the purposes of enforcement of  
16 corresponding laws of other states.

17           2. Indian tribes located in this state for the purposes of  
18 enforcement of the statutes or agreements specified in subsection ~~F~~ S of  
19 this section.

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

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

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

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

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

44          ~~Y.~~ X. Notwithstanding any other provision of this section, the  
45 department may not disclose information provided by an online lodging

1 marketplace, as defined in section 42-5076, without the written consent of  
2 the online lodging marketplace, and the information may be disclosed only  
3 pursuant to subsection A, paragraphs 1 through 6, subsection B, paragraphs  
4 1, 2, 7 and 8 and subsections C and D of this section. Such information:

5 1. Is not subject to disclosure pursuant to title 39, relating to  
6 public records.

7 2. May not be disclosed to any agency of this state or of any  
8 county, city, town or other political subdivision of this state.

9 Sec. 26. Section 42-2003, Arizona Revised Statutes, as amended by  
10 Laws 2017, chapter 96, section 1, chapter 139, section 4, chapter 258,  
11 section 43 and chapter 340, section 2, is amended to read:

12 42-2003. Authorized disclosure of confidential information

13 A. Confidential information relating to:

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

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

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

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

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

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

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

39 B. Confidential information may be disclosed to:

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

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

1 board of this state, or before any grand jury or any state or federal  
2 court.

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

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

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

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

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

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

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

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

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

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

40 (a) The processing, storage, transmission, destruction and  
41 reproduction of the information.

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

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

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

4           (a) Regarding income tax or withholding tax.

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

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

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

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

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

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

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

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

24           (d) Certifying computer data centers for tax relief under section  
25 41-1519.

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

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

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

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

33           17. The department of education for the purpose of verifying income  
34 eligibility to be classified as a low-income student pursuant to section  
35 15-2402, subsection M.

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

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

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

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

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

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

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

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

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

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

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

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

- 42 1. May only be used for internal purposes, including audits.  
43 2. May not be disclosed to the public in any manner that does not  
44 comply with confidentiality standards established by the department. The  
45 county, city or town shall agree in writing with the department that any

1 release of confidential information that violates the confidentiality  
2 standards adopted by the department will result in the immediate  
3 suspension of any rights of the county, city or town to receive taxpayer  
4 information under this subsection.

5 ~~F.~~ H. The department may disclose statistical information gathered  
6 from confidential information if it does not disclose confidential  
7 information attributable to any one taxpayer. The department may disclose  
8 statistical information gathered from confidential information, even if it  
9 discloses confidential information attributable to a taxpayer, to:

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

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

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

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

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

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

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

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

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

42 ~~Q.~~ P. Except as provided in section 42-2002, subsection D, the  
43 department of revenue shall release confidential information as requested  
44 by the department of economic security pursuant to section 42-1122 or  
45 46-291. Information disclosed under this subsection is limited to the

1 same type of information that the United States internal revenue service  
2 is authorized to disclose under section 6103(l)(6) of the internal revenue  
3 code.

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

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

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

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

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

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

23 ~~U.~~ T. For proceedings before the department, the office of  
24 administrative hearings, the board of tax appeals or any state or federal  
25 court involving penalties that were assessed against a return preparer, an  
26 electronic return preparer or a payroll service company pursuant to  
27 section 42-1103.02, 42-1125.01 or 43-419, confidential information may be  
28 disclosed only before the judge or administrative law judge adjudicating  
29 the proceeding, the parties to the proceeding and the parties'  
30 representatives in the proceeding prior to its introduction into evidence  
31 in the proceeding. The confidential information may be introduced as  
32 evidence in the proceeding only if the taxpayer's name, the names of any  
33 dependents listed on the return, all social security numbers, the  
34 taxpayer's address, the taxpayer's signature and any attachments  
35 containing any of the foregoing information are redacted and if either:

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

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

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

1           ~~U.~~ U. The department and attorney general may share the  
2 information specified in subsection ~~F~~ S of this section with any of the  
3 following:

4           1. Federal, state or local agencies located in this state for the  
5 purposes of enforcement of the statutes or agreements specified in  
6 subsection ~~F~~ S of this section or for the purposes of enforcement of  
7 corresponding laws of other states.

8           2. Indian tribes located in this state for the purposes of  
9 enforcement of the statutes or agreements specified in subsection ~~F~~ S of  
10 this section.

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

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

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

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

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

35           ~~X.~~ X. Notwithstanding any other provision of this section, the  
36 department may not disclose information provided by an online lodging  
37 marketplace, as defined in section 42-5076, without the written consent of  
38 the online lodging marketplace, and the information may be disclosed only  
39 pursuant to subsection A, paragraphs 1 through 6, subsection B, paragraphs  
40 1, 2, 7 and 8 and subsections C and D of this section. Such information:

41           1. Is not subject to disclosure pursuant to title 39, relating to  
42 public records.

43           2. May not be disclosed to any agency of this state or of any  
44 county, city, town or other political subdivision of this state.

1           Sec. 27. Section 42-2062, Arizona Revised Statutes, is amended to  
2 read:

3           42-2062. Abatement of penalties and fees; definition

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

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

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

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

25           42-2075. Audit duration; applicability; initial audit contact

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

30           1. An audit of a fraudulent tax return.

31           2. An audit delayed as the result of the taxpayer's bankruptcy  
32 proceeding.

33           3. An audit in which the department has issued a letter to the  
34 taxpayer or the taxpayer's representative citing the potential imposition  
35 of the penalty described in section 42-1125, subsection C for the  
36 taxpayer's failure or refusal to provide information pursuant to the  
37 department's written request.

38           4. An audit involving proceedings concerning the enforcement or  
39 validity of a subpoena or subpoena duces tecum issued pursuant to section  
40 42-1006, subsection C.

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

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

1           7. An audit in which the taxpayer provides a written request to  
2 extend the audit beyond the two-year period. A request for extension  
3 under this paragraph is not a substitute for a waiver of the statute of  
4 limitations pursuant to section 42-1104, subsection B, paragraph 9.  
5 However, a waiver of the statute of limitations is considered to be a  
6 written request to extend the audit beyond the two-year period under this  
7 paragraph.

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

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

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

16           2. For a desk or office audit or a review conducted pursuant to  
17 section 42-1109, on the date of the first letter to the taxpayer regarding  
18 the audit or review. A letter is not considered to be regarding the audit  
19 or review if the letter is only requesting one or more of the following:

20           (a) The required filing of a tax return.

21           (b) A copy of the taxpayer's federal return.

22           (c) Required documents that the taxpayer failed to include with the  
23 return.

24           (d) Documentation to resolve an inconsistency within the return or  
25 a discrepancy between the return and other information that is received  
26 from a third party or that is otherwise already in the department's  
27 possession, if the adjustment of the return due to the inconsistency or  
28 discrepancy would be considered a nonaudit adjustment under section  
29 42-1108, subsection ~~F~~ G.

30           (e) Information that was left out of the taxpayer's return because  
31 a submitted form was incomplete.

32           (f) Replacements for documents that are not legible.

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

35           42-2151. Providing business and employer identifiers,  
36 licenses, numbers and other forms

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

40           1. Employer identification numbers for income tax withholding and  
41 unemployment insurance purposes.

42           2. Transaction privilege tax licenses.

43           3. Any other identification numbers and licenses deemed practical.

44           B. The department of revenue shall:

1           1. Make the form available at its office or by **PHYSICAL** mail **OR**  
2 **E-MAIL**.

3           2. Specify all fees necessary to obtain tax identification numbers  
4 and licenses.

5           3. Process all forms it receives by forwarding appropriate copies  
6 to the department of economic security.

7           4. Deposit, pursuant to sections 35-146 and 35-147, in the state  
8 general fund all monies it receives from the fees it obtains for tax  
9 identification numbers and licenses.

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

12           **42-6009. Online lodging; definitions**

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

23           B. In the case of an online lodging marketplace that is licensed  
24 pursuant to section 42-5005, subsection L, a city, town or other taxing  
25 jurisdiction may levy a transaction privilege, sales, use, franchise or  
26 other similar tax or fee as provided by the model city tax code on the  
27 online lodging marketplace subject to the following conditions:

28           1. The adopted tax must be administered in a manner that is uniform  
29 with the treatment of online lodging marketplaces, online lodging  
30 operators and online lodging transactions provided by chapter 5 of this  
31 title, except that:

32           (a) The adopted tax rate may be different from the state tax rate  
33 prescribed by section 42-5010.

34           (b) The adopted tax may apply to online lodging transactions  
35 involving rentals of lodging accommodations in the city, town or other  
36 taxing jurisdiction for more than twenty-nine consecutive days. With  
37 respect to any tax on rentals of lodging accommodations for more than  
38 twenty-nine consecutive days, in the case of an online lodging marketplace  
39 that has registered pursuant to section 42-5005, subsection L, the adopted  
40 tax must uniformly apply to all lodging accommodations in the city, town  
41 or other taxing jurisdiction for thirty consecutive days or more, and the  
42 tax base for the tax must be limited exclusively to online lodging  
43 transactions facilitated by an online lodging marketplace for rentals of  
44 lodging accommodations for thirty consecutive days or more and located in  
45 the applicable city, town or other taxing jurisdiction.

1           2. The adopted tax shall be administered, collected and enforced by  
2 the department and remitted to the city, town or other taxing jurisdiction  
3 in a uniform manner.

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

7           4. Any adopted tax is subject to:

8           (a) Section 42-6002, relating to audits.

9           (b) Section 42-2003, subsection ~~Y~~ X, relating to confidential  
10 information.

11           (c) Section 42-5003, subsection B, relating to judicial  
12 enforcement.

13           (d) Section 42-5005, subsection L, relating to registration of  
14 online lodging marketplaces.

15           (e) Section 42-5014, subsection E, relating to tax returns.

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

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

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

27           42-6052. Municipal tax code commission; members; meetings;  
28                                   annual report

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

35           1. Five members appointed by the governor.

36           2. Two members appointed by the president of the senate.

37           3. Two members appointed by the speaker of the house of  
38 representatives.

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

44           C. The commission shall meet on the second Friday of every other  
45 month unless the chairman determines that a meeting is unnecessary due to

1 a lack of issues for the commission to consider. The commission may hold  
2 additional meetings on the call of the chairman or at the request of four  
3 or more of its members, but the commission must give at least two weeks'  
4 notice of the meeting. The department of revenue shall maintain a MAILING  
5 list ~~of recipients to mail~~ FOR meeting notices, ~~to, mail~~ SEND required  
6 notices and provide staff support and meeting accommodations for the  
7 commission. ALL NOTICES UNDER THIS SUBSECTION MAY BE DELIVERED BY EITHER  
8 PHYSICAL MAIL OR E-MAIL.

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

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

14 42-11114. Exemption for property held for conveyance as  
15 parkland; recapture

16 A. Property that is held by a charitable organization, recognized  
17 under section 501(c)(3) of the internal revenue code ~~or under section~~  
18 ~~43-1201~~, for transfer to this state or to a political subdivision of this  
19 state to be used as parkland is exempt from taxation if the charitable  
20 organization does not receive rent or valuable consideration.

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

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

28 42-11115. Exemption for property held to preserve or protect  
29 scientific resources

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

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

37 42-11116. Exemption for property of arts and science  
38 organizations

39 Property of musical, dramatic, dance and community arts groups,  
40 botanical gardens, museums and zoos, ~~—~~ THAT ARE qualified as nonprofit  
41 charitable organizations under section 501(c)(3) of the internal revenue  
42 code ~~or under section 43-1201~~, is exempt from taxation if the property is  
43 used for those purposes and not used or held for profit.



1           Sec. 38. Section 42-11154, Arizona Revised Statutes, is amended to  
2 read:

3           42-11154. Establishing nonprofit status

4           For the purposes of article 3 of this chapter:

5           1. Nonprofit organization status may be established by a letter of  
6 determination issued in the organization's name by the United States  
7 internal revenue service ~~or the department of revenue~~ recognizing the  
8 organization's ~~tax exempt~~ TAX-EXEMPT status under section ~~501(c)(3)~~ 501 of  
9 the internal revenue code, ~~or under section 43-1201~~ EXCEPT THAT:

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

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

19           (c) AN ORGANIZATION THAT MEETS THE REQUIREMENTS OF SECTION  
20 501(c)(3) OF THE INTERNAL REVENUE CODE BUT THAT IS EXEMPT FROM THE  
21 NOTIFICATION REQUIREMENTS PURSUANT TO SECTION 508(c) OF THE INTERNAL  
22 REVENUE CODE SHALL NOT BE REQUIRED TO PROVIDE A LETTER OF DETERMINATION  
23 FROM THE INTERNAL REVENUE SERVICE.

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

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

30           42-13253. Notice of equalization order

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

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

34           2. At the same time, notify by certified mail **OR BY E-MAIL** the  
35 governor, the president of the senate and the speaker of the house of  
36 representatives including the reasons that necessitated the order.

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

39           42-14004. Change of valuation

40           After the department determines the valuation of any property but  
41 before it transmits the valuation to the appropriate assessing authority,  
42 the department, on the property owner's written application or on its own  
43 motion, may change the valuation to properly reflect the property's full  
44 cash value. The department shall immediately **SEND BY** mail **OR BY E-MAIL** a  
45 copy of the change to the property owner.

1           Sec. 41. Section 42-14152, Arizona Revised Statutes, is amended to  
2 read:

3           42-14152. Annual report for determining valuation; failure to  
4           file; penalty; forfeiture of appeal rights

5           A. Except as provided by section 42-14155, on or before April 1 of  
6 each year, each company that is valued pursuant to this article shall file  
7 a report with the department, under oath, stating the information that the  
8 department requires to enable it to make a valuation of the property. On  
9 or before February 1 of each year, the department shall SEND BY mail OR BY  
10 E-MAIL to each company the forms for filing the report.

11           B. On written request and for good cause shown, the director may  
12 extend the time for filing the report required by this section.

13           C. If a company fails to file the report on or before April 1 of  
14 the valuation year, or the extended due date if an extension is granted,  
15 the department shall:

16           1. Estimate the value of the property based on one hundred five ~~per~~  
17 ~~cent~~ PERCENT of the preceding year's full cash value or on any information  
18 that is available to the department.

19           2. Also assess a penalty in the amount of the lesser of:

20           (a) One-half of one ~~per cent~~ PERCENT of the value that is estimated  
21 by the department.

22           (b) One hundred dollars per day for each day the company fails to  
23 file the report beyond the due date.

24           D. If the report is not filed by May 20 of the valuation year, the  
25 company forfeits its right to appeal the valuation and classification  
26 pursuant to section 42-14005.

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

29           42-14305. Determination of valuation

30           A. On or before June 15 OF EACH YEAR, the department shall  
31 determine the full cash value of the company's property in this state  
32 whether it is used in intrastate or interstate business. That value  
33 constitutes the full cash value of the property of the private car company  
34 in this state for that year.

35           B. The valuation required by this section is the value determined  
36 as of January 1 of the valuation year.

37           C. The department shall immediately transmit the valuation to the  
38 private car company by first class mail OR BY E-MAIL.

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

41           42-14306. Administrative review of valuation

42           A. On or before July 15 OF EACH YEAR, a private car company may  
43 request in writing that the department review its valuation. The  
44 department shall rule on any review of valuation on or before August 31

1 and shall notify the private car company of its ruling by **FIRST CLASS** mail  
2 **OR E-MAIL**.

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

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

7 **43-323. Place and form of filing returns**

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

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

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

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

17 3. Elect not to file for credits against income tax liability other  
18 than those contained in sections 43-1072, 43-1072.01, 43-1072.02 and  
19 43-1073.

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

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

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

27 2. Are residents for the full taxable year.

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

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

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

33 6. Elect to claim the optional standard deduction under section  
34 43-1041.

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

39 8. Do not elect to contribute a portion of any tax refund as  
40 provided by any provision of chapter 6, article 1 of this title.  
41 Notwithstanding any provision of chapter 6, article 1 of this title, a  
42 simplified return form under this subsection shall not include any space  
43 for the taxpayer to so contribute a portion of a refund.

1 D. The department shall prepare blank forms for the returns and  
2 furnish them on request. Failure to receive or secure the form does not  
3 relieve any taxpayer from making any return required.

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

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

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

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

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

33 **43-401. Withholding tax; rates; election by employee**

34 A. Except as provided by subsections B and H of this section, every  
35 employer at the time of the payment of wages, salary, bonus or other  
36 emolument to any employee whose compensation is for services performed  
37 within this state shall deduct and retain from the compensation an amount  
38 prescribed by tables adopted by the department.

39 B. An employer may voluntarily elect to not withhold tax during  
40 December by notifying:

- 41 1. The department on a form prescribed by the department.
- 42 2. The employer's employees in writing in a manner prescribed by  
43 the department.

44 C. If the amount collected and payable by the employer to the  
45 department in each of the preceding four calendar quarters did not exceed

1 an average of one thousand five hundred dollars, the amount collected  
2 shall be paid to the department on or before April 30, July 31, October 31  
3 and January 31 for the preceding calendar quarter. If ~~such~~ THE amount  
4 exceeded one thousand five hundred dollars in each of the preceding four  
5 calendar quarters, the employer shall pay to the department the amount the  
6 employer deducts and retains pursuant to this section at the same time as  
7 the employer is required to make deposits of federal tax pursuant to  
8 section 6302 of the internal revenue code. On or before April 30, July  
9 31, October 31 and January 31 each year, the employer shall reconcile the  
10 amounts payable during the preceding calendar quarter in a manner  
11 prescribed by the department, except that if the full amount collected and  
12 payable is paid timely to the department under this subsection, the  
13 employer may reconcile the amounts on or before May 10, August 10,  
14 November 10 and February 10 each year. The department by rule may allow  
15 and determine which employers qualify for annual payments of withholding  
16 taxes, with an annual report by the employer pursuant to section 43-412,  
17 subsection B, if the qualifying employer has established sufficient  
18 payment history to indicate that the employer is current and in good  
19 standing pursuant to standards established by rule. For any business  
20 ~~which~~ THAT has not had a withholding certificate for the four preceding  
21 consecutive quarters, the quarterly average shall be computed in a manner  
22 prescribed by the department.

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

32 E. Each employee shall elect the amount authorized by subsection A  
33 of this section to be withheld for application toward the employee's state  
34 income tax liability. The election provided under this subsection shall  
35 be exercised by each employee, in writing on a form prescribed by the  
36 department. The election shall be made within five days of employment.  
37 Each employer shall notify the employees of the election made available  
38 under this subsection and shall have election forms available at all  
39 times. Each form shall be completed in triplicate, with one copy each for  
40 the department, the employer and the employee. The employer shall file a  
41 copy of each completed form with the department. Any employee failing to  
42 complete an election form as prescribed shall be deemed to have elected  
43 the withholding percentage prescribed by the department.

1 F. Before July 1 of each year, each employer who chooses to not  
2 withhold tax pursuant to subsection B of this section shall notify each  
3 employee that:

4 1. State income taxes will not be withheld from compensation in  
5 December.

6 2. The employee may elect to change the rate of withholding tax  
7 prescribed by this section to compensate for the resulting change in  
8 annual withholdings from the employee's compensation.

9 G. At an employee's written request, the employer may agree to  
10 reduce the amount withheld under this section by the amount of credit that  
11 the employee represents to the employer that the employee will qualify for  
12 and be entitled to under sections 43-1088, 43-1089, 43-1089.01 and  
13 43-1089.03. The employee's request must include the name and address of  
14 the qualifying charitable organization, qualified school tuition  
15 organization or public school. Within thirty days after agreeing to the  
16 employee's request, the employer shall reduce the withholding amount by  
17 the amount of the credit, but not below zero, prorated for the number of  
18 pay periods remaining in the employee's taxable year after the employee  
19 makes the request. If an employer agrees to reduce the withholding amount  
20 pursuant to this subsection, the following apply:

21 1. Within fifteen days after the end of each calendar quarter, the  
22 employer must pay the entire amount of the reduction in withholding tax  
23 for that quarter to the designated charitable organization, school tuition  
24 organization or public school. These payments are considered to be on the  
25 employee's behalf, and not the employer's, for the purposes of qualifying  
26 for the income tax credits under sections 43-1088, 43-1089, 43-1089.01 and  
27 43-1089.03.

28 2. The employee is responsible and accountable for the accuracy and  
29 the amount of reduction in withholding tax and the payments to the  
30 charitable organization, school tuition organization or public school.

31 3. The employer is responsible and accountable to the charitable  
32 organization, school tuition organization or public school, to the  
33 employee and to the department for actually making the required payments.

34 4. Within thirty days after the end of each calendar year, or  
35 within fifteen days after the termination of employment, the employer must  
36 furnish to each electing employee ~~and to the department~~ a statement of the  
37 amount withheld and paid on behalf of the employee during that year.

38 H. An employer shall not withhold tax on the wages of the  
39 employer's nonresident employees who are in this state on a temporary  
40 basis for the purpose of performing disaster recovery from a declared  
41 disaster during a disaster period as defined in section 42-1130.

1           Sec. 46. Section 43-1021, Arizona Revised Statutes, is amended to  
2 read:

3           43-1021. Addition to Arizona gross income

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

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

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

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

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

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

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

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

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

40           9. The amount by which the depreciation or amortization computed  
41 under the internal revenue code with respect to property for which a  
42 credit was taken under either section 43-1081 or 43-1081.01 exceeds the  
43 amount of depreciation or amortization computed pursuant to the internal  
44 revenue code on the Arizona adjusted basis of the property.

1           10. The amount by which the adjusted basis computed under the  
2 internal revenue code with respect to property for which a credit was  
3 claimed under section 43-1074.02, 43-1081 or 43-1081.01 and that is sold  
4 or otherwise disposed of during the taxable year exceeds the adjusted  
5 basis of the property computed under section 43-1074.02, 43-1081 or  
6 43-1081.01, as applicable.

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

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

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

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

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

25           ~~16.~~ 15. The amount of a nonqualified withdrawal, as defined in  
26 section 15-1871, from a college savings plan established pursuant to  
27 section 529 of the internal revenue code that is made to a distributee to  
28 the extent the amount is not included in computing federal adjusted gross  
29 income, except that the amount added under this paragraph shall not exceed  
30 the difference between the amount subtracted under section 43-1022 in  
31 prior taxable years and the amount added under this section in any prior  
32 taxable years.

33           ~~17.~~ 16. The amount of discharge of indebtedness income that is  
34 deferred and excluded from the computation of federal adjusted gross  
35 income in the current taxable year pursuant to section 108(i) of the  
36 internal revenue code as added by section 1231 of the American recovery  
37 and reinvestment act of 2009 (P.L. 111-5).

38           ~~18.~~ 17. The amount of any previously deferred original issue  
39 discount that was deducted in computing federal adjusted gross income in  
40 the current year pursuant to section 108(i) of the internal revenue code  
41 as added by section 1231 of the American recovery and reinvestment act of  
42 2009 (P.L. 111-5), to the extent that the amount was previously subtracted  
43 from Arizona gross income pursuant to section 43-1022, paragraph ~~23~~ 22.

44           ~~19. Amounts that are considered to be income under section 43-1032,~~  
45 ~~subsection D because the amount is withdrawn from a long-term health care~~

1 ~~savings account and not used to pay the taxpayer's long-term health care~~  
2 ~~expenses.~~

3 ~~20.~~ 18. If a subtraction is or has been taken by the taxpayer  
4 under section 43-1024, in the current or a prior taxable year for the full  
5 amount of eligible access expenditures paid or incurred to comply with the  
6 requirements of the Americans with disabilities act of 1990 (P.L. 101-336)  
7 or title 41, chapter 9, article 8, any amount of eligible access  
8 expenditures that is recognized under the internal revenue code, including  
9 any amount that is amortized according to federal amortization schedules,  
10 and that is included in computing taxable income for the current taxable  
11 year.

12 ~~21.~~ 19. For taxable years beginning from and after December 31,  
13 2017, the amount of any net capital loss included in Arizona gross income  
14 for the taxable year that is derived from the exchange of one kind of  
15 legal tender for another kind of legal tender. For the purposes of this  
16 paragraph:

17 (a) "Legal tender" means a medium of exchange, including specie,  
18 that is authorized by the United States Constitution or Congress for the  
19 payment of debts, public charges, taxes and dues.

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

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

23 43-1022. Subtractions from Arizona gross income

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

26 1. The amount of exemptions allowed by section 43-1023.

27 2. Benefits, annuities and pensions in an amount totaling not more  
28 than two thousand five hundred dollars received from one or more of the  
29 following:

30 (a) The United States government service retirement and disability  
31 fund, retired or retainer pay of the uniformed services of the United  
32 States, the United States foreign service retirement and disability system  
33 and any other retirement system or plan established by federal law.

34 (b) The Arizona state retirement system, the corrections officer  
35 retirement plan, the public safety personnel retirement system, the  
36 elected officials' retirement plan, an optional retirement program  
37 established by the Arizona board of regents under section 15-1628, an  
38 optional retirement program established by a community college district  
39 board under section 15-1451 or a retirement plan established for employees  
40 of a county, city or town in this state.

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

44 4. Interest income received on obligations of the United States,  
45 less any interest on indebtedness, or other related expenses, and deducted

1 in arriving at Arizona gross income, which were incurred or continued to  
2 purchase or carry such obligations.

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

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

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

11 8. The portion of any wages or salaries paid or incurred by the  
12 taxpayer for the taxable year that is equal to the amount of the federal  
13 work opportunity credit, the empowerment zone employment credit, the  
14 credit for employer paid social security taxes on employee cash tips and  
15 the Indian employment credit that the taxpayer received under sections  
16 45A, 45B, 51(a) and 1396 of the internal revenue code.

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

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

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

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

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

43 14. The amount authorized by section 43-1027 for the taxable year  
44 relating to qualified wood stoves, wood fireplaces or gas fired  
45 fireplaces.

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

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

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

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

15           19. For property placed in service:

16           (a) In taxable years beginning before December 31, 2012, an amount  
17 equal to the depreciation allowable pursuant to section 167(a) of the  
18 internal revenue code for the taxable year computed as if the election  
19 described in section 168(k)(2)(D)(iii) of the internal revenue code had  
20 been made for each applicable class of property in the year the property  
21 was placed in service.

22           (b) In taxable years beginning from and after December 31, 2012  
23 through December 31, 2013, an amount determined in the year the asset was  
24 placed in service based on the calculation in subdivision (a) of this  
25 paragraph. In the first taxable year beginning from and after December  
26 31, 2013, the taxpayer may elect to subtract the amount necessary to make  
27 the depreciation claimed to date for the purposes of this title the same  
28 as it would have been if subdivision (c) of this paragraph had applied for  
29 the entire time the asset was in service. Subdivision (c) of this  
30 paragraph applies for the remainder of the asset's life. If the taxpayer  
31 does not make the election under this subdivision, subdivision (a) of this  
32 paragraph applies for the remainder of the asset's life.

33           (c) In taxable years beginning from and after December 31, 2013  
34 through December 31, 2015, an amount equal to the depreciation allowable  
35 pursuant to section 167(a) of the internal revenue code for the taxable  
36 year as computed as if the additional allowance for depreciation had been  
37 ten percent of the amount allowed pursuant to section 168(k) of the  
38 internal revenue code.

39           (d) In taxable years beginning from and after December 31, 2015  
40 through December 31, 2016, an amount equal to the depreciation allowable  
41 pursuant to section 167(a) of the internal revenue code for the taxable  
42 year as computed as if the additional allowance for depreciation had been  
43 fifty-five percent of the amount allowed pursuant to section 168(k) of the  
44 internal revenue code.

1 (e) In taxable years beginning from and after December 31, 2016, an  
2 amount equal to the depreciation allowable pursuant to section 167(a) of  
3 the internal revenue code for the taxable year as computed as if the  
4 additional allowance for depreciation had been the full amount allowed  
5 pursuant to section 168(k) of the internal revenue code.

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

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

17 ~~22.~~ 21. The amount contributed during the taxable year to college  
18 savings plans established pursuant to section 529 of the internal revenue  
19 code to the extent that the contributions were not deducted in computing  
20 federal adjusted gross income. The amount subtracted shall not exceed:

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

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

28 ~~23.~~ 22. The amount of any original issue discount that was  
29 deferred and not allowed to be deducted in computing federal adjusted  
30 gross income in the current taxable year pursuant to section 108(i) of the  
31 internal revenue code as added by section 1231 of the American recovery  
32 and reinvestment act of 2009 (P.L. 111-5).

33 ~~24.~~ 23. The amount of previously deferred discharge of  
34 indebtedness income that is included in the computation of federal  
35 adjusted gross income in the current taxable year pursuant to section  
36 108(i) of the internal revenue code as added by section 1231 of the  
37 American recovery and reinvestment act of 2009 (P.L. 111-5), to the extent  
38 that the amount was previously added to Arizona gross income pursuant to  
39 section 43-1021, paragraph ~~17~~ 16.

40 ~~25.~~ 24. The portion of the net operating loss carryforward that  
41 would have been allowed as a deduction in the current year pursuant to  
42 section 172 of the internal revenue code if the election described in  
43 section 172(b)(1)(H) of the internal revenue code had not been made in the  
44 year of the loss that exceeds the actual net operating loss carryforward  
45 that was deducted in arriving at federal adjusted gross income. This

1 subtraction only applies to taxpayers who made an election under section  
2 172(b)(1)(H) of the internal revenue code as amended by section 1211 of  
3 the American recovery and reinvestment act of 2009 (P.L. 111-5) or as  
4 amended by section 13 of the worker, homeownership, and business  
5 assistance act of 2009 (P.L. 111-92).

6 ~~26.~~ 25. For taxable years beginning from and after December 31,  
7 2013, the amount of any net capital gain included in federal adjusted  
8 gross income for the taxable year derived from investment in a qualified  
9 small business as determined by the Arizona commerce authority pursuant to  
10 section 41-1518.

11 ~~27.~~ 26. An amount of any net long-term capital gain included in  
12 federal adjusted gross income for the taxable year that is derived from an  
13 investment in an asset acquired after December 31, 2011, as follows:

14 (a) For taxable years beginning from and after December 31, 2012  
15 through December 31, 2013, ten percent of the net long-term capital gain  
16 included in federal adjusted gross income.

17 (b) For taxable years beginning from and after December 31, 2013  
18 through December 31, 2014, twenty percent of the net long-term capital  
19 gain included in federal adjusted gross income.

20 (c) For taxable years beginning from and after December 31, 2014,  
21 twenty-five percent of the net long-term capital gain included in federal  
22 adjusted gross income. For the purposes of this paragraph, a transferee  
23 that receives an asset by gift or at the death of a transferor is  
24 considered to have acquired the asset when the asset was acquired by the  
25 transferor. If the date an asset is acquired cannot be verified, a  
26 subtraction under this paragraph is not allowed.

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

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

35 ~~30.~~ 28. The amount of eligible access expenditures paid or  
36 incurred during the taxable year to comply with the requirements of the  
37 Americans with disabilities act of 1990 (P.L. 101-336) or title 41,  
38 chapter 9, article 8 as provided by section 43-1024.

39 ~~31.~~ 29. For taxable years beginning from and after December 31,  
40 2017, the amount of any net capital gain included in Arizona gross income  
41 for the taxable year that is derived from the exchange of one kind of  
42 legal tender for another kind of legal tender. For the purposes of this  
43 paragraph:

1 (a) "Legal tender" means a medium of exchange, including specie,  
2 that is authorized by the United States Constitution or Congress for the  
3 payment of debts, public charges, taxes and dues.

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

5 Sec. 48. Repeal

6 Section 43-1032, Arizona Revised Statutes, is repealed.

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

9 43-1042. Itemized deductions

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

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

20 ~~C. Notwithstanding subsection B of this section, expenses for~~  
21 ~~long-term health care that are paid or reimbursed from the taxpayer's~~  
22 ~~long-term health care savings account pursuant to section 43-1032 shall~~  
23 ~~not be deducted pursuant to this section.~~

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

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

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

33 43-1201. Organizations exempt from tax

34 ~~A. Organizations that are exempt from federal income tax under~~  
35 ~~section 501 of the internal revenue code are exempt from the tax imposed~~  
36 ~~under this title. In addition, the following organizations are exempt from~~  
37 ~~the taxes imposed under this title, except as otherwise provided in this~~  
38 ~~chapter:~~

39 ~~1. Labor, agricultural or horticultural organizations, other than~~  
40 ~~cooperative organizations.~~

41 ~~2. Fraternal beneficiary societies, orders or organizations both:~~

42 ~~(a) Operating under the lodge system or for the exclusive benefit~~  
43 ~~of the members of a fraternity itself operating under the lodge system.~~

1           ~~(b) Providing for the payment of life, sick, accident or other~~  
2 ~~benefits to the members of such society, order or organization or their~~  
3 ~~dependents.~~

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

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

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

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

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

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

32           ~~9. Voluntary employees' beneficiary organizations providing for the~~  
33 ~~payment of life, sick, accident or other benefits to the members of such~~  
34 ~~organizations or their dependents, if both of the following apply:~~

35           ~~(a) No part of their net earnings inures, other than through such~~  
36 ~~payments, to the benefit of any private shareholder or individual.~~

37           ~~(b) Eighty-five per cent or more of the income consists of amounts~~  
38 ~~collected from members and amounts contributed to the organization by the~~  
39 ~~employer of the members for the sole purpose of making such payments and~~  
40 ~~meeting expenses.~~

41           ~~10. Teachers' or public employees' retirement fund organizations of~~  
42 ~~a purely local character, if both of the following apply:~~

43           ~~(a) No part of their net earnings inures to the benefit of any~~  
44 ~~private shareholder or individual, other than through payment of~~  
45 ~~retirement benefits.~~

1 ~~(b) The income consists solely of amounts received from public~~  
2 ~~taxation, amounts received from assessments upon the salaries of members~~  
3 ~~and income in respect of investments. For the purposes of this paragraph,~~  
4 ~~"public employees" means employees of the state and its political~~  
5 ~~subdivisions.~~

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

15 ~~12. Voluntary employees' beneficiary organizations providing for~~  
16 ~~the payment of life, sick, accident or other benefits to the members of~~  
17 ~~such organization, their dependents or their designated beneficiaries, if~~  
18 ~~both of the following apply:~~

19 ~~(a) Admission to membership in such organization is limited to~~  
20 ~~individuals who are officers or employees of the United States government.~~

21 ~~(b) No part of the net earnings of such organization inures, other~~  
22 ~~than through such payments, to the benefit of any private shareholder or~~  
23 ~~individual.~~

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

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

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

31 ~~14.~~ 2. Insurance companies paying THAT PAY to ~~the~~ THIS state A tax  
32 ~~upon~~ ON premium income derived from sources within this state.

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

37 ~~16. Workers' compensation pools established pursuant to section~~  
38 ~~23-961.01.~~

39 B. Nonprofit medical marijuana dispensaries under title 36, chapter  
40 28.1, are exempt from the taxes imposed under this title.

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

43 43-1202. Feeder organizations not exempt from tax; definition

44 A. An organization THAT IS operated for the primary purpose of  
45 carrying on a trade or business for profit ~~shall~~ IS not ~~be~~ exempt under

1 any provision of this chapter on the ground that all of its profits are  
2 payable to one or more organizations exempt under this section from  
3 taxation.

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

9 Sec. 52. Repeal

10 Section 43-1211, Arizona Revised Statutes, is repealed.

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

13 43-1212. Denial of exempt status due to prohibited  
14 transactions; restoration of exempt status

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

30 B. AN ORGANIZATION THAT IS DENIED AN EXEMPTION PURSUANT TO  
31 SUBSECTION A OF THIS SECTION WITH RESPECT TO ANY TAXABLE YEAR FOLLOWING  
32 THE TAXABLE YEAR IN WHICH THE NOTICE WAS RECEIVED MAY HAVE ITS EXEMPT  
33 STATUS UNDER SECTION 43-1201 RESTORED AT THE SAME TIME THE ORGANIZATION'S  
34 EXEMPT STATUS IS RESTORED FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION  
35 503 OF THE INTERNAL REVENUE CODE.

36 Sec. 54. Repeal

37 Sections 43-1213, 43-1214, 43-1215, 43-1216 and 43-1217, Arizona  
38 Revised Statutes, are repealed.

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

41 43-1231. Taxation of unrelated business income

42 Any organization, trust or church or a convention or association of  
43 churches ~~which~~ THAT is exempt, except as provided in this section, from  
44 taxation under this title by reason of section 43-1201, ~~paragraphs 1~~  
45 ~~through 14 shall be~~ IS subject to the tax imposed under section 43-1111

1 ~~upon~~ ON its ~~“unrelated business taxable income”~~ as defined in section  
2 512 of the internal revenue code. ~~Such taxes shall also apply to an~~  
3 ~~organization described in section 43-1201, paragraph 8 if the income is~~  
4 ~~payable to an organization which itself is subject to the tax imposed~~  
5 ~~under this section or to a church or to a convention or association of~~  
6 ~~churches.~~

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

9 43-1242. Information returns of tax-exempt organizations;  
10 definition

11 A. Every organization THAT IS exempt under section 43-1201,  
12 SUBSECTION B shall ANNUALLY file a return ~~except:~~

13 ~~1. A religious organization exempt under section 43-1201,~~  
14 ~~subsection A, paragraph 4.~~

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

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

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

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

31 B. ~~Such return shall be filed annually, at such time and in such~~  
32 ~~manner as the department may prescribe by rule, setting forth WITH THE~~  
33 ~~DEPARTMENT ON A FORM PRESCRIBED BY THE DEPARTMENT ON OR BEFORE THE~~  
34 ~~FIFTEENTH DAY OF THE FIFTH MONTH AFTER THE CLOSE OF THE TAXABLE YEAR. THE~~  
35 ~~RETURN SHALL INCLUDE:~~

36 1. ~~its~~ THE ORGANIZATION'S gross receipts for the year.

37 2. ~~its~~ THE ORGANIZATION'S expenses ~~attributable to such income and~~  
38 ~~incurred within the year.~~

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

41 ~~4. Its accumulation of income within the year.~~

42 ~~5. Its aggregate accumulations of income at the beginning of the~~  
43 ~~year.~~

44 ~~6. Its disbursements out of principal in the current and prior~~  
45 ~~years for the purposes for which it is exempt.~~

1           ~~7.~~ 3. A balance sheet showing ~~its~~ THE ORGANIZATION'S assets,  
2 liabilities and net worth as of the beginning AND END of ~~such~~ THE year.

3           ~~8.~~ 4. Such other information as the department may prescribe by  
4 rule.

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

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

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

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

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

17           43-1365. Request for prompt assessment

18           In the case of income received or accrued during the lifetime of a  
19 decedent, or by the decedent's estate during the period of administration,  
20 the department shall SEND BY PHYSICAL mail OR E-MAIL notices proposing to  
21 assess the tax and shall commence any proceeding in court without  
22 assessment for the collection of the tax within eighteen months after the  
23 fiduciary of the estate or any other person who is liable for the tax or  
24 any portion of the tax files a written request after the return is filed.  
25 After filing the request, a fiduciary may consent in writing to waive the  
26 limitation under this section.

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

29           43-1502. Certification as a school tuition organization

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

37           B. The department shall:

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

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

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

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

1           1. Failed or refused to allocate at least ninety percent of annual  
2 revenues from contributions made for the purposes of sections 20-224.06,  
3 20-224.07, 43-1183 and 43-1184 for educational scholarships or tuition  
4 grants.

5           2. Failed or refused to file the annual reports required by section  
6 43-1506.

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

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

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

13           6. Failed or refused to meet any of the requirements in section  
14 43-1503, subsection B.

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

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

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

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

35           43-1602. Certification as a school tuition organization

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

43           B. The department shall:

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

1           2. Make the registry available to the public on request.  
2           3. Post the registry on the department's official website.  
3           C. The department shall send ~~written~~ notice by certified mail **OR BY**  
4 **E-MAIL** to a school tuition organization if the department determines that  
5 the school tuition organization has engaged in any of the following  
6 activities:  
7           1. Failed or refused to allocate at least ninety percent of annual  
8 revenues from contributions made for the purposes of sections 43-1089 and  
9 43-1089.03 for educational scholarships or tuition grants.  
10          2. Failed or refused to file the annual reports required by section  
11 43-1604.  
12          3. Limited the availability of scholarships to students of only one  
13 school.  
14          4. Encouraged, facilitated or knowingly permitted taxpayers to  
15 engage in actions prohibited by this article.  
16          5. Awarded, restricted or reserved educational scholarships or  
17 tuition grants for use by a particular student based solely on the  
18 recommendation of the donor.  
19          6. Failed or refused to meet any of the requirements in section  
20 43-1603, subsection B.  
21          7. Failed or refused to include the notice required in section  
22 43-1603, subsection C.  
23          8. Failed or refused to comply with the audit or financial review  
24 requirements of section 43-1605.  
25          D. A school tuition organization that receives notice from the  
26 department pursuant to subsection C of this section has ninety days to  
27 correct the violation identified by the department in the notice. If a  
28 school tuition organization fails or refuses to comply after ninety days,  
29 the department may remove the organization from the list of certified  
30 school tuition organizations and shall make available to the public notice  
31 of removal as soon as possible. An organization that is removed from the  
32 list of certified school tuition organizations must notify any taxpayer  
33 who attempts to make a contribution that the contribution is not eligible  
34 for the tax credit and offer to refund all donations received after the  
35 date of the notice of termination of certification.  
36          E. A school tuition organization may request an administrative  
37 hearing on the revocation of its certification as provided by title 41,  
38 chapter 6, article 10. Except as provided in section 41-1092.08,  
39 subsection H, a decision of the department is subject to judicial review  
40 pursuant to title 12, chapter 7, article 6.  
41          Sec. 60. Conditional enactment  
42          Section 42-2003, Arizona Revised Statutes, as amended by Laws 2017,  
43 chapter 96, section 1, chapter 139, section 4, chapter 258, section 43 and  
44 chapter 340, section 2 and this act, is effective from and after December  
45 31, 2018 only if Laws 2017, chapter 139, the subject of referendum

1 petition R-02-2018, is approved by a vote of the people at the next  
2 general election or fails to be referred to the voters at the next general  
3 election.

4 Sec. 61. Effective date

5 A. Section 28-2056, Arizona Revised Statutes, as amended by this  
6 act, is effective, and applies to taxable periods beginning, from and  
7 after the last day of the month of the general effective date of the  
8 fifty-third legislature, second regular session.

9 B. The remainder of this act is effective from and after December  
10 31, 2018.

11 Sec. 62. Legislative intent

12 It is the intent of the legislature in enacting this act that from  
13 and after the effective date of this act:

14 1. The department of revenue provides the taxpayer the option of  
15 receiving notices from the department by electronic or physical means.

16 2. The department of revenue provides notices by the means  
17 requested by the taxpayer.