

REFERENCE TITLE: department of revenue; administrative efficiency

State of Arizona
Senate
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2018

SB 1293

Introduced by
Senator Farnsworth D

AN ACT

AMENDING SECTIONS 5-401, 10-11202, 10-11251, 13-3301, 13-3302, 13-3311, 20-117, 20-1104, 20-1631, 28-4333, 28-4548, 41-1376.01, 41-1378, 42-1105, 42-1108, 42-1111, 42-1119, 42-1122, 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 42-2075, 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, 43-401, 43-1201 AND 43-1202, ARIZONA REVISED STATUTES; REPEALING SECTION 42-1211, 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 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,~~

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

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

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

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

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

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

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

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

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

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

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.

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

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

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

20-117. Definitions

In this title, unless the context otherwise requires:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

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

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

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

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

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

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

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

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

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

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.

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

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

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

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

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

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

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

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

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

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

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

1 O. An insurer may issue an endorsement to a private passenger
 2 policy that expressly provides coverage for the provision of
 3 transportation network services, but that endorsement may not be treated
 4 as basic coverage as defined in subsection K of this section and any
 5 termination of the endorsement may not be treated as a modification of
 6 basic coverage. An insurer may terminate the endorsement allowed by this
 7 subsection by giving advance notice of the termination. Any notice by the
 8 insurer to the policyholder to terminate the endorsement allowed by this
 9 subsection shall be mailed to the named insured by United States mail at
 10 least forty-five days before the effective date of the termination. The
 11 notice shall include an explanation to the named insured that the further
 12 provision of transportation network services following the effective date
 13 of the termination might subject the insured to cancellation or nonrenewal
 14 of the insured's private passenger motor vehicle policy.

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

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

24 Sec. 10. Section 28-4333, Arizona Revised Statutes, is amended to
 25 read:

26 28-4333. Licensing requirement; exemptions

27 A. A new motor vehicle shall not be sold in this state unless
 28 either the manufacturer on direct dealerships of domestic vehicles, the
 29 importer of foreign manufactured vehicles on direct dealerships or the
 30 distributor on indirect dealerships of either domestic or foreign vehicles
 31 is licensed as provided in this chapter. Obtaining the license
 32 conclusively establishes that the manufacturer, distributor or importer is
 33 subject to the laws of this state regulating manufacturers, importers and
 34 distributors.

35 B. An organization that has qualified for an exemption from
 36 taxation of income under section ~~43-1201, subsection A, paragraph 1, 2, 4,~~
 37 ~~5, 6, 7, 10 or 11~~ 501 OF THE INTERNAL REVENUE CODE may sell a donated used
 38 motor vehicle without obtaining a license under this chapter, subject to
 39 the following:

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

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

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

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

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

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

Sec. 11. Section 28-4548, Arizona Revised Statutes, is amended to read:

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

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

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

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

Sec. 12. Section 41-1376.01, Arizona Revised Statutes, is amended to read:

41-1376.01. Additional powers and duties; definitions

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

1 interpretive and educational materials and programs in cooperation with
2 the ombudsman-citizens aide and shall distribute to elected or appointed
3 public officials the public access laws and educational materials
4 concerning the public access laws.

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

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

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

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

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

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

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

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

22 3. Hold hearings.

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

25 (a) Sealed court records without a subpoena.

26 (b) Active criminal investigation records.

27 (c) Records that could lead to the identity of confidential police
28 informants.

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

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

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

35 (g) Confidential information relating to section 36-2903,
36 subsection I, section 36-2917, section 36-2932, subsection F or section
37 36-2972.

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

40 (i) Documents that are protected by section 214 of the critical
41 infrastructure information act of 2002 (6 United States Code section
42 133(a)) or by 49 Code of Federal Regulations part 1520.

43 (j) Information that is protected by section 214 of the critical
44 infrastructure information act of 2002 (6 United States Code section
45 133(a)) or 49 Code of Federal Regulations part 1520 or critical

1 infrastructure information as defined by section 41-1801 on government
2 owned facilities that are classified as critical infrastructure by the
3 federal government or as defined by section 41-1801.

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

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

17 E. For the purposes of this section:

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

21 2. "Public access laws" means:

22 (a) Title 39, chapter 1.

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

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

26 Sec. 13. Section 41-1378, Arizona Revised Statutes, is amended to
27 read:

28 41-1378. Complaint; investigation; investigative authority;
29 violation; classification

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

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

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

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

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

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

3. Hold hearings.

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

(a) Sealed court records without a subpoena.

(b) Active criminal investigation records.

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

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

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

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

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

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

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

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

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

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

Sec. 14. Section 42-1105, Arizona Revised Statutes, is amended to read:

42-1105. Taxpayer identification, verification and records; retention

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

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

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

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

E. Except as provided in section 42-3010, a return preparer or electronic return preparer shall keep copies of the return, statement or

1 other document for six years for transaction privilege and use tax returns
 2 and four years for all other returns, statements and other documents
 3 following the date on which the return, statement or other document was
 4 due to be filed or was presented to the taxpayer for signature, whichever
 5 is later.

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

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

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

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

26 H. For at least the period of time prescribed by section 42-1104,
 27 the department shall retain ~~records~~ ANY RETURN, STATEMENT OR OTHER
 28 DOCUMENT, AS DEFINED IN SECTION 42-1101.01, AS A RECORD pursuant to
 29 sections 41-151.14, 41-151.15, 41-151.16, 41-151.17 and 41-151.19.
 30 ANYTHING SUBMITTED WITH THE RETURN, STATEMENT OR OTHER DOCUMENT THAT IS
 31 NOT REQUIRED, AUTHORIZED OR REQUESTED BY THE DEPARTMENT IS NOT PART OF THE
 32 RECORD AND MAY BE DESTROYED BY THE DEPARTMENT.

33 Sec. 15. Section 42-1108, Arizona Revised Statutes, is amended to
 34 read:

35 42-1108. Audit; deficiency assessments; definition

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

44 B. The department shall give the taxpayer ~~written~~ notice of its
 45 determination of a deficiency by mail OR AS PRESCRIBED BY SUBSECTION C OF

1 THIS SECTION, and the deficiency, plus penalties and interest, is final
 2 forty-five days from the date of receipt of the notice to the taxpayer
 3 unless an appeal is taken to the department. For individual income tax,
 4 the period is ninety days from the date of mailing. In the case of a
 5 joint income tax return, the notice may be a single joint notice mailed to
 6 the last known address, but if either spouse notifies the department that
 7 separate residences have been established, the department shall mail
 8 duplicate originals of the joint notice to each spouse.

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

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

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

23 3. THE DATE OF RECEIPT FOR A NOTICE PROVIDED BY ELECTRONIC PORTAL
 24 IS THE LATER OF THE DATE THE NOTICE IS POSTED TO THE ELECTRONIC PORTAL OR
 25 THE DATE THE NOTIFICATION IS RECEIVED BY THE TAXPAYER. A NOTIFICATION
 26 SENT BY E-MAIL IS CONSIDERED TO BE RECEIVED BY THE TAXPAYER ON THE DAY IT
 27 IS SENT BY THE DEPARTMENT.

28 ~~C.~~ D. If a deficiency is determined and the assessment becomes
 29 final, the department shall mail notice and demand to the taxpayer for the
 30 payment of the deficiency. Notwithstanding section 42-1125, subsection E,
 31 the deficiency assessed is due and payable at the expiration of ten days
 32 from the date of the notice and demand.

33 ~~D.~~ E. A certificate by the department of the mailing OR E-MAILING
 34 of the notices specified in this section is prima facie evidence of the
 35 assessment of the deficiency and the giving of the notices.

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

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

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

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

5 3. An incorrect usage or selection of information for a filed
6 return from tax tables, schedules or similar documents provided by the
7 department if the incorrect usage is apparent from the existence of other
8 information on the return.

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

11 5. An omission of information required on the return to
12 substantiate an entry.

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

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

20 8. An entry of a credit or deduction that requires a preapproval if
21 the credit or deduction has not been preapproved or if the entry is for
22 more than the preapproved amount.

23 9. An entry of a credit or deduction amount carried forward from a
24 prior year that is outside of the statutory period allowed for the
25 carryforward or is for an amount that is inconsistent with the taxpayer's
26 prior year returns.

27 H. IF A TAXPAYER THAT FILES ITS RETURN ELECTRONICALLY IS ALLOWED TO
28 INPUT THE INFORMATION FROM A DOCUMENT INTO THE ELECTRONIC FILING PROGRAM
29 INSTEAD OF PROVIDING THE ACTUAL DOCUMENT WITH THE RETURN, THE DEPARTMENT
30 MAY REQUEST A COPY OF THE DOCUMENT FROM THE TAXPAYER AT ANY TIME. IF THE
31 TAXPAYER PROVIDES THE DOCUMENT, THE DEPARTMENT MAY ADJUST THE RETURN TO
32 REFLECT THE AMOUNTS ON THE DOCUMENT. IF THE TAXPAYER DOES NOT PROVIDE THE
33 REQUESTED DOCUMENT WITHIN THE PERIOD PROVIDED BY THE DEPARTMENT, THE
34 DEPARTMENT MAY DENY ANY DEDUCTION, CREDIT OR WITHHOLDING THAT THE DOCUMENT
35 IS INTENDED TO SUBSTANTIATE.

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

39 Sec. 16. Section 42-1111, Arizona Revised Statutes, is amended to
40 read:

41 42-1111. Jeopardy assessments

42 A. If the department believes that the collection of any assessment
43 or deficiency of any tax administered pursuant to this article will be
44 jeopardized by delay, ~~it shall~~, whether or not the time otherwise
45 prescribed by law for making a return and paying the tax has expired and

1 notwithstanding other provisions of law, THE DEPARTMENT SHALL immediately
2 mail, SEND ELECTRONICALLY or issue notice of its finding and the
3 information on which the finding is based to the taxpayer and demand
4 immediate payment of the tax or deficiency declared to be in jeopardy,
5 including interest, penalties and additions.

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

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

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

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

29 2. A certificate of the department of the mailing, ELECTRONIC
30 SENDING or issuing of the notice specified in this section is presumptive
31 evidence that the ~~notices were~~ NOTICE WAS mailed, SENT or issued.

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

34 Sec. 17. Section 42-1119, Arizona Revised Statutes, is amended to
35 read:

36 42-1119. Denial of refund

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

44 B. If the department fails to mail OR ELECTRONICALLY SEND notice of
45 action on any claim for refund of tax or interest within six months after

1 the claim is filed, the taxpayer, ~~prior to~~ BEFORE THE DEPARTMENT'S mailing
 2 ~~of~~ OR ELECTRONIC notice of action on the refund claim, may consider the
 3 claim disallowed. The taxpayer may appeal to the department for a hearing
 4 pursuant to section 42-1251.

5 Sec. 18. Section 42-1122, Arizona Revised Statutes, is amended to
 6 read:

7 42-1122. Setoff for debts to state agencies, political
 8 subdivisions and courts; revolving fund;
 9 definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

22 O. In the case of a refund that is intercepted in error through no
23 fault of the taxpayer under this section, the taxpayer shall be reimbursed
24 by the agency, political subdivision or court with interest pursuant to
25 section 42-1123. In addition, if all or part of a refund is intercepted
26 in error due to an agency, political subdivision or court incorrectly
27 identifying a taxpayer as a debtor through no fault of the taxpayer, the
28 agency, political subdivision or court shall also pay the taxpayer a
29 penalty as follows:

30 1. If the agency, political subdivision or court reimburses the
31 taxpayer sixteen through one hundred eighty days after the agency,
32 political subdivision or court receives notification that the refund was
33 erroneously intercepted and the refund was received by the agency,
34 political subdivision or court, the penalty is equal to ten percent of the
35 amount of the refund that was intercepted.

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

42 3. If the agency, political subdivision or court fails to reimburse
43 the taxpayer within three hundred sixty-five days after the agency,
44 political subdivision or court receives notification that the refund was
45 erroneously intercepted and the refund was received by the agency,

political subdivision or court, the penalty is equal to twenty percent of the amount of the refund that was intercepted.

P. The time periods set forth in subsection 0 of this section shall be stayed during a review of an agency decision pursuant to section 25-522.

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

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

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

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

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

T. For the purposes of this section:

1. "Agency" means:

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

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

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

3. "Debt":

(a) Means an amount over fifty dollars THAT IS owed to an agency, political subdivision or court by a taxpayer and may include a judgment in favor of this state or a political subdivision of this state, interest,

1 penalties, charges, costs, fees, fines, civil penalties, surcharges,
2 assessments, administrative charges or any other amount. ~~Debt also~~

3 (b) Includes monies **THAT ARE** owed by a taxpayer for overdue support
4 and **THAT ARE** referred to the department of economic security or the clerk
5 of the court for collection.

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

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

13 Sec. 19. Section 42-1205, Arizona Revised Statutes, is amended to
14 read:

15 42-1205. Notice and sale of seized property

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

20 B. Real property may be redeemed in the manner provided by title
21 12, chapter 8, article 11.

22 C. The department shall notify the taxpayer of the date, time and
23 location of the sale of ~~his~~ **THE** property or right to property with a
24 description of the property or right to property to be sold. The notice
25 shall be given in person, left at the **TAXPAYER'S** dwelling or usual place
26 of business ~~of such taxpayer~~ or ~~shall be~~ sent by first class mail **OR BY**
27 **E-MAIL** to ~~such~~ **THE** taxpayer's last known address, ~~not less than~~ **AT LEAST**
28 ten days before the day of the sale. If the property or right to property
29 is perishable, the department shall give notice of the sale to the
30 taxpayer in the manner and within the time limits as are reasonable
31 considering the character and condition of the property.

32 Sec. 20. Section 42-2002, Arizona Revised Statutes, is amended to
33 read:

34 42-2002. Disclosure of confidential information prohibited

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

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

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

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

8 Sec. 21. Section 42-2003, Arizona Revised Statutes, as amended by
9 Laws 2017, chapter 96, section 1, chapter 258, section 43 and chapter 340,
10 section 2, is amended to read:

11 42-2003. Authorized disclosure of confidential information

12 A. Confidential information relating to:

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

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

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

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

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

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

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

38 B. Confidential information may be disclosed to:

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

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

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

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

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

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

(b) A state tax official of another state.

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

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

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

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

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

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

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

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

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

1 (a) Regarding income tax or withholding tax.

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

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

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

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

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

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

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

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

21 (d) Certifying computer data centers for tax relief under section
22 41-1519.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

44 ~~I.~~ H. The department may disclose statistical information gathered
45 from confidential information if it does not disclose confidential

1 information attributable to any one taxpayer. The department may disclose
 2 statistical information gathered from confidential information, even if it
 3 discloses confidential information attributable to a taxpayer, to:

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

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

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

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

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

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

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

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

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

36 ~~Q.~~ P. Except as provided in section 42-2002, subsection D, the
 37 department of revenue shall release confidential information as requested
 38 by the department of economic security pursuant to section 42-1122 or
 39 46-291. Information disclosed under this subsection is limited to the same
 40 type of information that the United States internal revenue service is
 41 authorized to disclose under section 6103(1)(6) of the internal revenue
 42 code.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sec. 22. Section 42-2003, Arizona Revised Statutes, as amended by Laws 2017, chapter 96, section 1, chapter 139, section 4, chapter 258, section 43 and chapter 340, section 2, is amended to read:

42-2003. Authorized disclosure of confidential information

A. Confidential information relating to:

1. A taxpayer may be disclosed to the taxpayer, its successor in interest or a designee of the taxpayer who is authorized in writing by the

1 taxpayer. A principal corporate officer of a parent corporation may
2 execute a written authorization for a controlled subsidiary.

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

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

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

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

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

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

24 B. Confidential information may be disclosed to:

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

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

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

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

44 5. The following agencies, officials and organizations, if they
45 grant substantially similar privileges to the department for the type of

1 information being sought, pursuant to statute and a written agreement
2 between the department and the foreign country, agency, state, Indian
3 tribe or organization:

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

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

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

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

16 (e) An agency, official or organization of an Indian tribal
17 government with responsibilities comparable to the responsibilities of the
18 agencies, officials or organizations identified in subdivision (a), (b) or
19 (c) of this paragraph.

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

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

24 (a) The processing, storage, transmission, destruction and
25 reproduction of the information.

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

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

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

32 (a) Regarding income tax or withholding tax.

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

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

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

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

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

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

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

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

8 (d) Certifying computer data centers for tax relief under section
9 41-1519.

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

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

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

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

17 17. The department of education for the purpose of verifying income
18 eligibility to be classified as a low-income student pursuant to section
19 15-2402, subsection M.

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

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

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

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

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

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

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

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

41 E. The department, on the request of any person, shall provide the
42 names and addresses of bingo licensees as defined in section 5-401, verify
43 whether or not a person has a privilege license and number, a tobacco
44 product distributor's license and number or a withholding license and
45 number or disclose the information to be posted on the department's

1 website or otherwise publicly accessible pursuant to section 42-1124,
2 subsection F and section 42-3401.

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

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

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

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

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

33 ~~I.~~ H. The department may disclose statistical information gathered
34 from confidential information if it does not disclose confidential
35 information attributable to any one taxpayer. The department may disclose
36 statistical information gathered from confidential information, even if it
37 discloses confidential information attributable to a taxpayer, to:

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

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

43 ~~J.~~ I. The department may disclose the aggregate amounts of any tax
44 credit, tax deduction or tax exemption enacted after January 1, 1994.
45 Information subject to disclosure under this subsection shall not be

disclosed if a taxpayer demonstrates to the department that such information would give an unfair advantage to competitors.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

~~W.~~ V. The department may provide the name and address of qualifying hospitals and qualifying health care organizations, as defined

1 in section 42-5001, to a business classified and reporting transaction
2 privilege tax under the utilities classification.

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

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

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

17 ~~X.~~ X. Notwithstanding any other provision of this section, the
18 department may not disclose information provided by an online lodging
19 marketplace, as defined in section 42-5076, without the written consent of
20 the online lodging marketplace, and the information may be disclosed only
21 pursuant to subsection A, paragraphs 1 through 6, subsection B, paragraphs
22 1, 2, 7 and 8 and subsections C and D of this section. Such information:

23 1. Is not subject to disclosure pursuant to title 39, relating to
24 public records.

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

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

29 42-2075. Audit duration: applicability: initial audit contact

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

34 1. An audit of a fraudulent tax return.

35 2. An audit delayed as the result of the taxpayer's bankruptcy
36 proceeding.

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

42 4. An audit involving proceedings concerning the enforcement or
43 validity of a subpoena or subpoena duces tecum issued pursuant to section
44 42-1006, subsection C.

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

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

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

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

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

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

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

(a) The required filing of a tax return.

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

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

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

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

(f) Replacements for documents that are not legible.

Sec. 24. Section 42-2151, Arizona Revised Statutes, is amended to read:

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

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

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

2. Transaction privilege tax licenses.

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

2 B. The department of revenue shall:

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

5 2. Specify all fees necessary to obtain tax identification numbers
6 and licenses.

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

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

12 Sec. 25. Section 42-6009, Arizona Revised Statutes, is amended to
13 read:

14 42-6009. Online lodging; definitions

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

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

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

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

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

1 lodging accommodations for thirty consecutive days or more and located in
2 the applicable city, town or other taxing jurisdiction.

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

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

9 4. Any adopted tax is subject to:

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

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

13 (c) Section 42-5003, subsection B, relating to judicial
14 enforcement.

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

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

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

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

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

29 42-6052. Municipal tax code commission: members: meetings:
30 annual report

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

37 1. Five members appointed by the governor.

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

39 3. Two members appointed by the speaker of the house of
40 representatives.

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

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

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

Sec. 27. Section 42-11114, Arizona Revised Statutes, is amended to read:

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

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

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

Sec. 28. Section 42-11115, Arizona Revised Statutes, is amended to read:

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

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

Sec. 29. Section 42-11116, Arizona Revised Statutes, is amended to read:

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

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

1 Sec. 30. Section 42-11117, Arizona Revised Statutes, is amended to
2 read:

3 42-11117. Exemption for property of volunteer fire
4 departments

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

10 Sec. 31. Section 42-11118, Arizona Revised Statutes, is amended to
11 read:

12 42-11118. Exemption for social welfare and quasi-governmental
13 service property; qualifying activities

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

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

- 22 1. Public information and complaint office.
- 23 2. Voter registration.
- 24 3. Property tax assessment information.
- 25 4. Building permit distribution.
- 26 5. Resident assistance with deed restrictions and violations.
- 27 6. County planning and zoning review.
- 28 7. Water resources planning and management.
- 29 8. Public safety planning, oversight and maintenance.
- 30 9. Government liaison for regional planning activities.

31 Sec. 32. Section 42-11124, Arizona Revised Statutes, is amended to
32 read:

33 42-11124. Exemption for possessory interests for educational
34 or charitable activities

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

- 39 1. The purpose of the association or institution is educational or
40 charitable activities.
- 41 2. Its annual gross revenues do not exceed fifty thousand dollars.
- 42 3. It is not operated for profit.
- 43 4. It is recognized under section 501(c)(3) of the internal revenue
44 code ~~or under section 43-1201.~~

1 Sec. 33. 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 A CHURCH,
10 SYNAGOGUE, TEMPLE, MOSQUE OR SIMILAR ORGANIZATION IS NOT REQUIRED TO
11 PROVIDE A LETTER OF DETERMINATION TO ESTABLISH ITS STATUS AS A TAX-EXEMPT
12 ORGANIZATION.

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

17 Sec. 34. Section 42-13253, Arizona Revised Statutes, is amended to
18 read:

19 42-13253. Notice of equalization order

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

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

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

26 Sec. 35. Section 42-14004, Arizona Revised Statutes, is amended to
27 read:

28 42-14004. Change of valuation

29 After the department determines the valuation of any property but
30 before it transmits the valuation to the appropriate assessing authority,
31 the department, on the property owner's written application or on its own
32 motion, may change the valuation to properly reflect the property's full
33 cash value. The department shall immediately SEND BY mail OR BY E-MAIL a
34 copy of the change to the property owner.

35 Sec. 36. Section 42-14152, Arizona Revised Statutes, is amended to
36 read:

37 42-14152. Annual report for determining valuation; failure to
38 file; penalty; forfeiture of appeal rights

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

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

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

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

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

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

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

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

Sec. 37. Section 42-14305, Arizona Revised Statutes, is amended to read:

42-14305. Determination of valuation

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

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

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

Sec. 38. Section 42-14306, Arizona Revised Statutes, is amended to read:

42-14306. Administrative review of valuation

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

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

Sec. 39. Section 43-401, Arizona Revised Statutes, is amended to read:

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

A. Except as provided by subsections B and H of this section, every employer at the time of the payment of wages, salary, bonus or other emolument to any employee whose compensation is for services performed

1 within this state shall deduct and retain from the compensation an amount
2 prescribed by tables adopted by the department.

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

5 1. The department on a form prescribed by the department.

6 2. The employer's employees in writing in a manner prescribed by
7 the department.

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

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

41 E. Each employee shall elect the amount authorized by subsection A
42 of this section to be withheld for application toward the employee's state
43 income tax liability. The election provided under this subsection shall
44 be exercised by each employee, in writing on a form prescribed by the
45 department. The election shall be made within five days of employment.

Each employer shall notify the employees of the election made available under this subsection and shall have election forms available at all times. Each form shall be completed in triplicate, with one copy each for the department, the employer and the employee. The employer shall file a copy of each completed form with the department. Any employee failing to complete an election form as prescribed shall be deemed to have elected the withholding percentage prescribed by the department.

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

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

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

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

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

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

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

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

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

Sec. 40. Section 43-1201, Arizona Revised Statutes, is amended to read:

43-1201. Organizations exempt from tax

~~A. Organizations that are exempt from federal income tax under section 501 of the internal revenue code are exempt from the tax imposed under this title. In addition, the following organizations are exempt from the taxes imposed under this title, except as otherwise provided in this chapter:~~

~~1. Labor, agricultural or horticultural organizations, other than cooperative organizations.~~

~~2. Fraternal beneficiary societies, orders or organizations both:
(a) Operating under the lodge system or for the exclusive benefit of the members of a fraternity itself operating under the lodge system.~~

~~(b) Providing for the payment of life, sick, accident or other benefits to the members of such society, order or organization or their dependents.~~

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

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

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

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

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

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

~~9. Voluntary employees' beneficiary organizations providing for the payment of life, sick, accident or other benefits to the members of such organizations or their dependents, if both of the following apply:~~

~~(a) No part of their net earnings inures, other than through such payments, to the benefit of any private shareholder or individual.~~

~~(b) Eighty-five per cent or more of the income consists of amounts collected from members and amounts contributed to the organization by the employer of the members for the sole purpose of making such payments and meeting expenses.~~

~~10. Teachers' or public employees' retirement fund organizations of a purely local character, if both of the following apply:~~

~~(a) No part of their net earnings inures to the benefit of any private shareholder or individual, other than through payment of retirement benefits.~~

~~(b) The income consists solely of amounts received from public taxation, amounts received from assessments upon the salaries of members and income in respect of investments. For the purposes of this paragraph, "public employees" means employees of the state and its political subdivisions.~~

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

~~12. Voluntary employees' beneficiary organizations providing for the payment of life, sick, accident or other benefits to the members of such organization, their dependents or their designated beneficiaries, if both of the following apply:~~

~~(a) Admission to membership in such organization is limited to individuals who are officers or employees of the United States government.~~

~~(b) No part of the net earnings of such organization inures, other than through such payments, to the benefit of any private shareholder or individual.~~

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

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

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

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

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

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

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

Sec. 41. Section 43-1202, Arizona Revised Statutes, is amended to read:

43-1202. Feeder organizations not exempt from tax; definition

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

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

Sec. 42. Repeal

Section ~~43-1211~~, Arizona Revised Statutes, is repealed.

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

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

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

income of ~~such~~ THE organization. ~~Denial of exemption for the unreasonable accumulation of income shall be effective in the taxable year of the accumulation.~~

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

Sec. 44. Repeal

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

Sec. 45. Section 43-1231, Arizona Revised Statutes, is amended to read:

43-1231. Taxation of unrelated business income

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

Sec. 46. Section 43-1242, Arizona Revised Statutes, is amended to read:

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

A. Every organization THAT IS exempt under section 43-1201, SUBSECTION B shall ANNUALLY file a return ~~except:~~

~~1. A religious organization exempt under section 43-1201, subsection A, paragraph 4.~~

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

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

~~4. An organization exempt under section 43-1201, subsection A, paragraph 4, if such organization is operated, supervised or controlled by~~

~~or in connection with a religious organization described in paragraph 1 of this subsection.~~

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

~~8. Such return shall be filed annually, at such time and in such manner as the department may prescribe by rule, setting forth WITH THE DEPARTMENT ON A FORM PRESCRIBED BY THE DEPARTMENT ON OR BEFORE THE FIFTEENTH DAY OF THE FIFTH MONTH AFTER THE CLOSE OF THE TAXABLE YEAR. THE RETURN SHALL INCLUDE:~~

~~1. its THE ORGANIZATION'S gross receipts for the year.~~
~~2. its THE ORGANIZATION'S expenses attributable to such ITS income and incurred within the year.~~

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

~~4. Its accumulation of income within the year.~~

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

~~6. Its disbursements out of principal in the current and prior years for the purposes for which it is exempt.~~

~~7. 3. A balance sheet showing its THE ORGANIZATION'S assets, liabilities and net worth as of the beginning of such THE year.~~

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

~~6. An organization otherwise required to file the return specified in subsection A of this section:~~

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

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

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

Sec. 47. Section 43-1365, Arizona Revised Statutes, is amended to read:

43-1365. Request for prompt assessment

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

1 Sec. 48. Section 43-1502, Arizona Revised Statutes, is amended to
2 read:

3 43-1502. Certification as a school tuition organization

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

11 B. The department shall:

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

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

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

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

20 1. Failed or refused to allocate at least ninety percent of annual
21 revenues from contributions made for the purposes of sections 20-224.06,
22 20-224.07, 43-1183 and 43-1184 for educational scholarships or tuition
23 grants.

24 2. Failed or refused to file the annual reports required by section
25 43-1506.

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

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

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

32 6. Failed or refused to meet any of the requirements in section
33 43-1503, subsection B.

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

36 D. A school tuition organization that receives notice from the
37 department pursuant to subsection C of this section has ninety days to
38 correct the violation identified by the department in the notice. If a
39 school tuition organization fails or refuses to comply after ninety days,
40 the department may remove the organization from the list of certified
41 school tuition organizations and shall make available to the public notice
42 of removal as soon as possible. An organization that is removed from the
43 list of certified school tuition organizations must notify any taxpayer
44 who attempts to make a contribution that the contribution is not eligible

1 for the tax credit and offer to refund all donations received after the
2 date of the notice of termination of certification.

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

8 Sec. 49. Section 43-1602, Arizona Revised Statutes, is amended to
9 read:

10 43-1602. Certification as a school tuition organization

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

18 B. The department shall:

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

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

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

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

27 1. Failed or refused to allocate at least ninety percent of annual
28 revenues from contributions made for the purposes of sections 43-1089 and
29 43-1089.03 for educational scholarships or tuition grants.

30 2. Failed or refused to file the annual reports required by section
31 43-1604.

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

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

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

39 6. Failed or refused to meet any of the requirements in section
40 43-1603, subsection B.

41 7. Failed or refused to include the notice required in section
42 43-1603, subsection C.

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

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

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

17 Sec. 50. Conditional enactment

18 Section 42-2003, Arizona Revised Statutes, as amended by Laws 2017,
19 chapter 96, section 1, chapter 139, section 4, chapter 258, section 43 and
20 chapter 340, section 2 and this act, is effective from and after December
21 31, 2018 only if Laws 2017, chapter 139, the subject of referendum
22 petition R-02-2018, is approved by a vote of the people at the next
23 general election or fails to be referred to the voters at the next general
24 election.

25 Sec. 51. Effective date

26 This act is effective from and after December 31, 2018.