

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

SENATE BILL 1293

AN ACT

AMENDING SECTIONS 5-401, 10-11202, 10-11251, 13-3301, 13-3302, 13-3311, 20-117, 20-1104, 20-1631, 28-4333, 28-4548, 41-1376.01, 41-1378, 42-1001, 42-1105, 42-1108, 42-1111, 42-1119, 42-1122, 42-1125, 42-1129, 42-1205 AND 42-2002, ARIZONA REVISED STATUTES; AMENDING SECTION 42-2003, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2017, CHAPTER 96, SECTION 1, CHAPTER 258, SECTION 43 AND CHAPTER 340, SECTION 2; AMENDING SECTION 42-2003, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2017, CHAPTER 96, SECTION 1, CHAPTER 139, SECTION 4, CHAPTER 258, SECTION 43 AND CHAPTER 340, SECTION 2; AMENDING SECTIONS 42-2075, 42-2151, 42-6009, 42-6052, 42-11114, 42-11115, 42-11116, 42-11117, 42-11118, 42-11124, 42-11154, 42-13253, 42-14004, 42-14152, 42-14305, 42-14306, 43-323 AND 43-401, ARIZONA REVISED STATUTES; AMENDING SECTIONS 43-1021 AND 43-1022, ARIZONA REVISED STATUTES; REPEALING SECTION 43-1032, ARIZONA REVISED STATUTES; AMENDING SECTIONS 43-1042, 43-1201 AND 43-1202, ARIZONA REVISED STATUTES; REPEALING SECTION 43-1211, ARIZONA REVISED STATUTES; AMENDING SECTION 43-1212, ARIZONA REVISED STATUTES; REPEALING SECTIONS 43-1213, 43-1214, 43-1215, 43-1216 AND 43-1217, ARIZONA REVISED STATUTES; AMENDING SECTIONS 43-1231, 43-1242, 43-1365, 43-1502 AND 43-1602, ARIZONA REVISED STATUTES; RELATING TO THE DEPARTMENT OF REVENUE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

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

4 5-401. Definitions

5 In this chapter, unless the context otherwise requires:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3 10-11251. Definitions

4 In this chapter, unless the context otherwise requires:

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

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

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

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

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

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

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

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

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

37 13-3301. Definitions

38 In this chapter, unless the context otherwise requires:

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

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

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

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

3 (d) Any of the following:

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

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

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

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

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

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

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

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

1 6. "Regulated gambling" means either:

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

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

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

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

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

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

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

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

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

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

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

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

36 13-3302. Exclusions

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

38 1. Amusement gambling.

39 2. Social gambling.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

34 3. The duration of the event.

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

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

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

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

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

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

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

13 20-117. Definitions

14 In this title, unless the context otherwise requires:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

19 2. The insurance was obtained through fraudulent misrepresentation.

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

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

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

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

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

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

37 (iii) Leaving the scene of an accident.

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

40 (v) Reckless driving.

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

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

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

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

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

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

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

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

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

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

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

3 3. Providing insurance only on an excess basis.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

28-4333. Licensing requirement; exemptions

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

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

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

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

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

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

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

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

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

25 28-4548. Issuance of temporary registration permits by
26 manufacturers or dealers

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

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

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

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

37 41-1376.01. Additional powers and duties; definitions

38 A. In addition to the powers and duties prescribed in section
39 41-1376, the ombudsman-citizens aide shall appoint two assistants, one of
40 whom shall be an attorney, to help the ombudsman-citizens aide investigate
41 complaints relating to public access laws involving an agency and
42 complaints and compliance with reporting requirements pursuant to this
43 article. The assistants shall train public officials and educate the
44 public on the rights of the public and the responsibilities of public
45 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.

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

3 3. Hold hearings.

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

6 (a) Sealed court records without a subpoena.

7 (b) Active criminal investigation records.

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

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

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

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

16 (g) Confidential information relating to section 36-2903,
17 subsection I, section 36-2917, section 36-2932, subsection F or section
18 36-2972.

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

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

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

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

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

6 Sec. 14. Section 42-1001, Arizona Revised Statutes, is amended to
7 read:

8 42-1001. Definitions

9 In this title, unless the context otherwise requires:

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

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

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

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

16 5. "ELECTRONICALLY SEND" OR "SEND ELECTRONICALLY" MEANS TO SEND BY
17 EITHER EMAIL OR THE USE OF AN ELECTRONIC PORTAL.

18 6. "ELECTRONIC PORTAL" MEANS A SECURE LOCATION ON A WEBSITE
19 ESTABLISHED BY THE DEPARTMENT THAT REQUIRES THE RECEIVER TO ENTER A
20 PASSWORD TO ACCESS.

21 7. "EMAIL" MEANS AN ELECTRONIC TRANSMISSION OF A MESSAGE TO AN
22 EMAIL ADDRESS. IF THE MESSAGE CONTAINS CONFIDENTIAL INFORMATION THEN
23 "EMAIL" MEANS THE ELECTRONIC TRANSMISSION OF A MESSAGE TO AN EMAIL ADDRESS
24 USING ENCRYPTION SOFTWARE THAT REQUIRES THE RECEIVER TO ENTER A PASSWORD
25 BEFORE THE MESSAGE CAN BE RETRIEVED AND VIEWED.

26 ~~5.~~ 8. "Internal revenue code" means the United States internal
27 revenue code of 1986, as amended and in effect as of January 1, 2017,
28 including those provisions that became effective during 2016 with the
29 specific adoption of their retroactive effective dates but excluding all
30 changes to the code enacted after January 1, 2017.

31 Sec. 15. Section 42-1105, Arizona Revised Statutes, is amended to
32 read:

33 42-1105. Taxpayer identification, verification and records;
34 retention

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

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

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

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

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

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

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

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

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

7 H. For at least the period of time prescribed by section 42-1104,
8 the department shall retain ~~records~~ ANY RETURN, STATEMENT OR OTHER
9 DOCUMENT, AS DEFINED IN SECTION 42-1101.01, AS A RECORD pursuant to
10 sections 41-151.14, 41-151.15, 41-151.16, 41-151.17 and 41-151.19.
11 ANYTHING SUBMITTED WITH THE RETURN, STATEMENT OR OTHER DOCUMENT AS DEFINED
12 IN SECTION 42-1101.01 THAT IS NOT REQUIRED, AUTHORIZED OR REQUESTED BY THE
13 DEPARTMENT IS NOT PART OF THE RECORD AND MAY BE DESTROYED, UNLESS IT IS,
14 AT THE DEPARTMENT'S REASONABLE DISCRETION, OF MORE THAN DE MINIMIS VALUE.
15 FACSIMILES OF ORIGINAL DOCUMENTS WHERE THE DEPARTMENT REASONABLY EXPECTS
16 THE TAXPAYER HAS RETAINED ANY ORIGINALS SHALL BE PRESUMED TO BE OF DE
17 MINIMIS VALUE FOR PURPOSES OF THIS SECTION. IF THE DEPARTMENT DETERMINES
18 THAT ANY DOCUMENT THAT IS NOT REQUIRED, AUTHORIZED OR REQUESTED BY THE
19 DEPARTMENT PURSUANT TO THIS SUBSECTION IS OF MORE THAN DE MINIMIS VALUE,
20 THEN WITHIN TEN DAYS OF RECEIPT THE DEPARTMENT SHALL NOTIFY THE TAXPAYER
21 IN WRITING OR BY ELECTRONIC MEANS OF ITS INTENT TO DESTROY THE DOCUMENT.
22 IF THE TAXPAYER REQUESTS THE RETURN OF ANY DOCUMENT INCLUDED IN THE
23 NOTICE, THE DEPARTMENT SHALL IMMEDIATELY COMPLY, ALTHOUGH THE DIRECTOR MAY
24 REQUIRE THE TAXPAYER PAY ANY SHIPPING COSTS TO RETURN THE DOCUMENT. IF
25 THE TAXPAYER DOES NOT REQUEST THE RETURN OF THE DOCUMENTS WITHIN THIRTY
26 DAYS OF THE DATE ON THE NOTICE OR THE TAXPAYER CONSENTS TO THE DESTRUCTION
27 OF THE DOCUMENTS, WHICHEVER OCCURS FIRST, THE DEPARTMENT MAY DESTROY THE
28 DOCUMENTS INCLUDED IN THE NOTICE.

29 Sec. 16. Section 42-1108, Arizona Revised Statutes, is amended to
30 read:

31 42-1108. Audit; deficiency assessments; definition

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

40 B. The department shall give the taxpayer ~~written~~ notice of its
41 determination of a deficiency by mail OR AS PRESCRIBED BY SUBSECTION C OF
42 THIS SECTION, and the deficiency, plus penalties and interest, is final
43 forty-five days from the date of receipt of the notice to the taxpayer
44 unless an appeal is taken to the department. For individual income tax,
45 the period is ninety days from the date of mailing. In the case of a

joint income tax return, the notice may be a single joint notice mailed to the last known address, but if either spouse notifies the department that separate residences have been established, the department shall mail duplicate originals of the joint notice to each spouse.

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

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

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

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

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

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

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

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

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

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

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

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

7 5. An omission of information required on the return to
8 substantiate an entry.

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

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

16 8. An entry of a credit or deduction that requires a preapproval if
17 the credit or deduction has not been preapproved or if the entry is for
18 more than the preapproved amount.

19 9. An entry of a credit or deduction amount carried forward from a
20 prior year that is outside of the statutory period allowed for the
21 carryforward or is for an amount that is inconsistent with the taxpayer's
22 prior year returns.

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

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

35 Sec. 17. Section 42-1111, Arizona Revised Statutes, is amended to
36 read:

37 42-1111. Jeopardy assessments

38 A. If the department believes that the collection of any assessment
39 or deficiency of any tax administered pursuant to this article will be
40 jeopardized by delay, ~~it shall~~, whether or not the time otherwise
41 prescribed by law for making a return and paying the tax has expired and
42 notwithstanding other provisions of law, **THE DEPARTMENT SHALL** immediately
43 mail, **SEND ELECTRONICALLY** or issue notice of its finding and the
44 information on which the finding is based to the taxpayer and demand

1 immediate payment of the tax or deficiency declared to be in jeopardy,
2 including interest, penalties and additions.

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

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

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

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

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

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

31 Sec. 18. Section 42-1119, Arizona Revised Statutes, is amended to
32 read:

33 **42-1119. Denial of refund**

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

41 B. If the department fails to mail **OR ELECTRONICALLY SEND** notice of
42 action on any claim for refund of tax or interest within six months after
43 the claim is filed, the taxpayer, ~~prior to~~ **BEFORE THE DEPARTMENT'S** mailing
44 ~~of~~ **OR ELECTRONIC** notice of action on the refund claim, may consider the

1 claim disallowed. The taxpayer may appeal to the department for a hearing
2 pursuant to section 42-1251.

3 Sec. 19. Section 42-1122, Arizona Revised Statutes, is amended to
4 read:

5 42-1122. Setoff for debts to state agencies, political
6 subdivisions and courts; revolving fund;
7 definitions

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

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

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

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

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

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

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

44 D. An agency, political subdivision or court may submit updated
45 information, additions, deletions and other changes on a quarterly or more

1 frequent basis, at the convenience of the agency, political subdivision or
2 court.

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

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

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

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

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

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

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

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

43 K. If the setoff accounts for only a portion of the refund due, the
44 remainder of the refund shall be sent to the taxpayer. A court shall not
45 use this section to satisfy a judgment or payment of a fine or civil

1 penalty until the judgment has become final or until the time to appeal
2 the imposition of a fine or civil penalty has expired.

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

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

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

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

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

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

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

1 P. The time periods set forth in subsection 0 of this section shall
2 be stayed during a review of an agency decision pursuant to section
3 25-522.

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

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

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

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

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

25 T. For the purposes of this section:

26 1. "Agency" means:

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

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

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

39 3. "Debt":

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

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

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

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

11 Sec. 20. Section 42-1125, Arizona Revised Statutes, is amended to
12 read:

13 42-1125. Civil penalties; definition

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

40 N. A person who is required to collect or truthfully account for
41 and pay a tax administered pursuant to this article, including any luxury
42 privilege tax, and who wilfully fails to collect the tax or truthfully
43 account for and pay the tax, or wilfully attempts in any manner to evade
44 or defeat the tax or its payment, is, in addition to other penalties
45 provided by law, liable for a penalty equal to the total amount of the tax

1 evaded, not collected or not accounted for and paid. Except as provided
2 in subsections U, V and W of this section, no other penalty under this
3 section relating to failure to pay tax may be imposed for any offense to
4 which this subsection applies.

5 O. For reporting periods beginning from and after February 28,
6 2011, if a taxpayer who is required under section 42-1129 to make payment
7 by electronic funds transfer fails to do so, that taxpayer shall pay a
8 penalty of five percent of the amount of the payment not made by
9 electronic funds transfer unless it is shown that the failure is due to
10 reasonable cause and not due to wilful neglect. For the reporting periods
11 beginning on July 1, 2015, the penalty in this subsection applies to any
12 taxpayer who is required under section 42-3053 to make payment by
13 electronic funds transfer and fails to do so unless it is shown that the
14 failure is due to reasonable cause and not due to wilful neglect.

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

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

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

25 3. A person, when filing any return, statement or other document
26 without compensation on behalf of a taxpayer, who fails to include that
27 person's own taxpayer identification number and the taxpayer's
28 identification number is not subject to a penalty.
29 No other penalty under this section may be imposed if the only violation
30 is failure to provide taxpayer identification numbers.

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

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

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

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

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

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

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

- 20 1. For a first violation involving two thousand or more cigarettes,
21 one thousand dollars.
- 22 2. For a subsequent violation involving two thousand or more
23 cigarettes, five thousand dollars.

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

26 X. Notwithstanding subsection A of this section, the penalty
27 imposed on a taxpayer that fails to make and file a return for tax
28 administered pursuant to chapter 5 or 6 of this title on or before the due
29 date of the return or the due date as extended by the department, unless
30 it is shown that the failure is due to a reasonable cause and not due to
31 wilful neglect, is ~~four and one-half~~ FIVE percent of the tax required to
32 be shown on the return, or twenty-five dollars, whichever is greater. ~~The~~
33 ~~penalty shall be added to the tax for each month or fraction of a month~~
34 ~~elapsing between the due date of the return and the date on which it is~~
35 ~~filed.~~ The total penalty may not exceed twenty-five percent of the tax
36 found to be remaining due, or one hundred dollars, whichever is greater.

37 Y. Notwithstanding subsection B of this section, the penalty
38 imposed on a taxpayer that fails to file a return pursuant to chapter 5 or
39 6 of this title on notice and demand by the department is twenty-five
40 percent of the tax, or one hundred dollars, whichever is greater. The
41 penalty is due and payable on notice and demand by the department, in
42 addition to any penalty prescribed by subsection A of this section, unless
43 it is shown that the failure is due to a reasonable cause and not due to
44 wilful neglect.

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

7 Sec. 21. Section 42-1129, Arizona Revised Statutes, is amended to
8 read:

9 42-1129. Payment of tax by electronic funds transfer

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

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

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

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

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

24 B. A payment in immediately available monies shall be made by
25 electronic funds transfer, with the state treasurer's approval, that
26 ensures the availability of the monies to this state on the date of
27 payment.

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

34 1. The taxpayer has no computer.

35 2. The taxpayer has no internet access.

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

39 D. The taxpayer shall furnish evidence as prescribed by the
40 department that ~~the~~ AN ELECTRONIC payment was remitted on or before the
41 due date.

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

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

4 Sec. 22. Section 42-1205, Arizona Revised Statutes, is amended to
5 read:

6 42-1205. Notice and sale of seized property

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

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

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

23 Sec. 23. Section 42-2002, Arizona Revised Statutes, is amended to
24 read:

25 42-2002. Disclosure of confidential information prohibited

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

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

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

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

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

4 42-2003. Authorized disclosure of confidential information

5 A. Confidential information relating to:

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

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

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

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

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

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

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

31 B. Confidential information may be disclosed to:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

40 (a) Regarding income tax or withholding tax.

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

43 9. The United States treasury inspector general for tax
44 administration for the purpose of reporting a violation of internal

1 revenue code section 7213A (26 United States Code section 7213A),
2 unauthorized inspection of returns or return information.

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

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

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

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

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

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

16 (d) Certifying computer data centers for tax relief under section
17 41-1519.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

41 ~~S.~~ R. To comply with the requirements of section 42-5031, the
42 department may disclose to the state treasurer, to the county stadium
43 district board of directors and to any city or town tax official that is
44 part of the county stadium district confidential information attributable

1 to a taxpayer's business activity conducted in the county stadium
2 district.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25 ~~X.~~ X. Notwithstanding any other provision of this section, the
26 department may not disclose information provided by an online lodging
27 marketplace, as defined in section 42-5076, without the written consent of
28 the online lodging marketplace, and the information may be disclosed only
29 pursuant to subsection A, paragraphs 1 through 6, subsection B, paragraphs
30 1, 2, 7 and 8 and subsections C and D of this section. Such information:

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

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

35 Sec. 25. Section 42-2003, Arizona Revised Statutes, as amended by
36 Laws 2017, chapter 96, section 1, chapter 139, section 4, chapter 258,
37 section 43 and chapter 340, section 2, is amended to read:

38 42-2003. Authorized disclosure of confidential information

39 A. Confidential information relating to:

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

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

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

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

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

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

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

22 B. Confidential information may be disclosed to:

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

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

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

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

42 5. The following agencies, officials and organizations, if they
43 grant substantially similar privileges to the department for the type of
44 information being sought, pursuant to statute and a written agreement

1 between the department and the foreign country, agency, state, Indian
2 tribe or organization:

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

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

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

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

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

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

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

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

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

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

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

31 (a) Regarding income tax or withholding tax.

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

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

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

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

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

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

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

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

6 (d) Certifying computer data centers for tax relief under section
7 41-1519.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25 Sec. 26. Section 42-2075, Arizona Revised Statutes, is amended to
26 read:

27 42-2075. Audit duration; applicability; initial audit contact

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

32 1. An audit of a fraudulent tax return.

33 2. An audit delayed as the result of the taxpayer's bankruptcy
34 proceeding.

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

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

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

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

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

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

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

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

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

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

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

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

27 (d) Documentation to resolve an inconsistency within the return or
28 a discrepancy between the return and other information that is received
29 from a third party or that is otherwise already in the department's
30 possession, if the adjustment of the return due to the inconsistency or
31 discrepancy would be considered a nonaudit adjustment under section
32 42-1108, subsection ~~F~~ G.

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

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

36 Sec. 27. Section 42-2151, Arizona Revised Statutes, is amended to
37 read:

38 42-2151. Providing business and employer identifiers,
39 licenses, numbers and other forms

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

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

45 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. 28. 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. 29. 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.

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

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

14 Sec. 30. Section 42-11114, Arizona Revised Statutes, is amended to
15 read:

16 42-11114. Exemption for property held for conveyance as
17 parkland; recapture

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

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

28 Sec. 31. Section 42-11115, Arizona Revised Statutes, is amended to
29 read:

30 42-11115. Exemption for property held to preserve or protect
31 scientific resources

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

37 Sec. 32. Section 42-11116, Arizona Revised Statutes, is amended to
38 read:

39 42-11116. Exemption for property of arts and science
40 organizations

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

1 Sec. 33. 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, ~~or~~ **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. 34. 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. 35. 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. 36. Section 42-11154, Arizona Revised Statutes, is amended to
2 read:

3 42-11154. Establishing nonprofit status

4 For the purposes of article 3 of this chapter:

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

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

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

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

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

28 Sec. 37. Section 42-13253, Arizona Revised Statutes, is amended to
29 read:

30 42-13253. Notice of equalization order

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

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

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

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

39 42-14004. Change of valuation

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

1 Sec. 39. Section 42-14152, Arizona Revised Statutes, is amended to
2 read:

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

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

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

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

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

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

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

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

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

27 Sec. 40. Section 42-14305, Arizona Revised Statutes, is amended to
28 read:

29 42-14305. Determination of valuation

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

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

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

39 Sec. 41. Section 42-14306, Arizona Revised Statutes, is amended to
40 read:

41 42-14306. Administrative review of valuation

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

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

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

5 Sec. 42. Section 43-323, Arizona Revised Statutes, is amended to
6 read:

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

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

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

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

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

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

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

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

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

26 2. Are residents for the full taxable year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

C. If the amount collected and payable by the employer to the department in each of the preceding four calendar quarters did not exceed an average of one thousand five hundred dollars, the amount collected shall be paid to the department on or before April 30, July 31, October 31 and January 31 for the preceding calendar quarter. If ~~such~~ **THE** amount exceeded one thousand five hundred dollars in each of the preceding four

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

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

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

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

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

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

4 G. At an employee's written request, the employer may agree to
5 reduce the amount withheld under this section by the amount of credit that
6 the employee represents to the employer that the employee will qualify for
7 and be entitled to under sections 43-1088, 43-1089, 43-1089.01 and
8 43-1089.03. The employee's request must include the name and address of
9 the qualifying charitable organization, qualified school tuition
10 organization or public school. Within thirty days after agreeing to the
11 employee's request, the employer shall reduce the withholding amount by
12 the amount of the credit, but not below zero, prorated for the number of
13 pay periods remaining in the employee's taxable year after the employee
14 makes the request. If an employer agrees to reduce the withholding amount
15 pursuant to this subsection, the following apply:

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

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

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

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

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

37 Sec. 44. Section 43-1021, Arizona Revised Statutes, is amended to
38 read:

39 43-1021. Addition to Arizona gross income

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

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

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

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

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

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

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

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

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

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

37 10. The amount by which the adjusted basis computed under the
38 internal revenue code with respect to property for which a credit was
39 claimed under section 43-1074.02, 43-1081 or 43-1081.01 and that is sold
40 or otherwise disposed of during the taxable year exceeds the adjusted
41 basis of the property computed under section 43-1074.02, 43-1081 or
42 43-1081.01, as applicable.

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

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

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

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

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

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

24 ~~17.~~ 16. The amount of discharge of indebtedness income that is
25 deferred and excluded from the computation of federal adjusted gross
26 income in the current taxable year pursuant to section 108(i) of the
27 internal revenue code as added by section 1231 of the American recovery
28 and reinvestment act of 2009 (P.L. 111-5).

29 ~~18.~~ 17. The amount of any previously deferred original issue
30 discount that was deducted in computing federal adjusted gross income in
31 the current year pursuant to section 108(i) of the internal revenue code
32 as added by section 1231 of the American recovery and reinvestment act of
33 2009 (P.L. 111-5), to the extent that the amount was previously subtracted
34 from Arizona gross income pursuant to section 43-1022, paragraph ~~23~~ 22.

35 ~~19.~~ 18. Amounts that are considered to be income under section
36 43-1032, subsection D because the amount is withdrawn from a long-term
37 health care savings account and not used to pay the taxpayer's long-term
38 health care expenses.

39 ~~20.~~ 19. If a subtraction is or has been taken by the taxpayer
40 under section 43-1024, in the current or a prior taxable year for the full
41 amount of eligible access expenditures paid or incurred to comply with the
42 requirements of the Americans with disabilities act of 1990 (P.L. 101-336)
43 or title 41, chapter 9, article 8, any amount of eligible access
44 expenditures that is recognized under the internal revenue code, including
45 any amount that is amortized according to federal amortization schedules,

1 and that is included in computing taxable income for the current taxable
2 year.

3 ~~21.~~ 20. For taxable years beginning from and after December 31,
4 2017, the amount of any net capital loss included in Arizona gross income
5 for the taxable year that is derived from the exchange of one kind of
6 legal tender for another kind of legal tender. For the purposes of this
7 paragraph:

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

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

12 Sec. 45. Section 43-1022, Arizona Revised Statutes, is amended to
13 read:

14 43-1022. Subtractions from Arizona gross income

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

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

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

21 (a) The United States government service retirement and disability
22 fund, retired or retainer pay of the uniformed services of the United
23 States, the United States foreign service retirement and disability system
24 and any other retirement system or plan established by federal law.

25 (b) The Arizona state retirement system, the corrections officer
26 retirement plan, the public safety personnel retirement system, the
27 elected officials' retirement plan, an optional retirement program
28 established by the Arizona board of regents under section 15-1628, an
29 optional retirement program established by a community college district
30 board under section 15-1451 or a retirement plan established for employees
31 of a county, city or town in this state.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7 19. For property placed in service:

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

14 (b) In taxable years beginning from and after December 31, 2012
15 through December 31, 2013, an amount determined in the year the asset was
16 placed in service based on the calculation in subdivision (a) of this
17 paragraph. In the first taxable year beginning from and after December
18 31, 2013, the taxpayer may elect to subtract the amount necessary to make
19 the depreciation claimed to date for the purposes of this title the same
20 as it would have been if subdivision (c) of this paragraph had applied for
21 the entire time the asset was in service. Subdivision (c) of this
22 paragraph applies for the remainder of the asset's life. If the taxpayer
23 does not make the election under this subdivision, subdivision (a) of this
24 paragraph applies for the remainder of the asset's life.

25 (c) In taxable years beginning from and after December 31, 2013
26 through December 31, 2015, an amount equal to the depreciation allowable
27 pursuant to section 167(a) of the internal revenue code for the taxable
28 year as computed as if the additional allowance for depreciation had been
29 ten percent of the amount allowed pursuant to section 168(k) of the
30 internal revenue code.

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

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

42 20. With respect to property that is sold or otherwise disposed of
43 during the taxable year by a taxpayer that complied with section 43-1021,
44 paragraph 14 with respect to that property, the amount of depreciation
45 that has been allowed pursuant to section 167(a) of the internal revenue

1 code to the extent that the amount has not already reduced Arizona taxable
2 income in the current or prior taxable years.

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

8 ~~22.~~ 21. The amount contributed during the taxable year to college
9 savings plans established pursuant to section 529 of the internal revenue
10 code to the extent that the contributions were not deducted in computing
11 federal adjusted gross income. The amount subtracted shall not exceed:

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

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

19 ~~23.~~ 22. The amount of any original issue discount that was
20 deferred and not allowed to be deducted in computing federal adjusted
21 gross income in the current taxable year pursuant to section 108(i) of the
22 internal revenue code as added by section 1231 of the American recovery
23 and reinvestment act of 2009 (P.L. 111-5).

24 ~~24.~~ 23. The amount of previously deferred discharge of
25 indebtedness income that is included in the computation of federal
26 adjusted gross income in the current taxable year pursuant to section
27 108(i) of the internal revenue code as added by section 1231 of the
28 American recovery and reinvestment act of 2009 (P.L. 111-5), to the extent
29 that the amount was previously added to Arizona gross income pursuant to
30 section 43-1021, paragraph ~~17~~ 16.

31 ~~25.~~ 24. The portion of the net operating loss carryforward that
32 would have been allowed as a deduction in the current year pursuant to
33 section 172 of the internal revenue code if the election described in
34 section 172(b)(1)(H) of the internal revenue code had not been made in the
35 year of the loss that exceeds the actual net operating loss carryforward
36 that was deducted in arriving at federal adjusted gross income. This
37 subtraction only applies to taxpayers who made an election under section
38 172(b)(1)(H) of the internal revenue code as amended by section 1211 of
39 the American recovery and reinvestment act of 2009 (P.L. 111-5) or as
40 amended by section 13 of the worker, homeownership, and business
41 assistance act of 2009 (P.L. 111-92).

42 ~~26.~~ 25. For taxable years beginning from and after December 31,
43 2013, the amount of any net capital gain included in federal adjusted
44 gross income for the taxable year derived from investment in a qualified

1 small business as determined by the Arizona commerce authority pursuant to
2 section 41-1518.

3 ~~27.~~ 26. An amount of any net long-term capital gain included in
4 federal adjusted gross income for the taxable year that is derived from an
5 investment in an asset acquired after December 31, 2011, as follows:

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

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

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

19 ~~28.~~ 27. If an individual is not claiming itemized deductions
20 pursuant to section 43-1042, the amount of premium costs for long-term
21 care insurance, as defined in section 20-1691.

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

27 ~~30.~~ 28. The amount of eligible access expenditures paid or
28 incurred during the taxable year to comply with the requirements of the
29 Americans with disabilities act of 1990 (P.L. 101-336) or title 41,
30 chapter 9, article 8 as provided by section 43-1024.

31 ~~31.~~ 29. For taxable years beginning from and after December 31,
32 2017, the amount of any net capital gain included in Arizona gross income
33 for the taxable year that is derived from the exchange of one kind of
34 legal tender for another kind of legal tender. For the purposes of this
35 paragraph:

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

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

40 Sec. 46. Repeal

41 Section ~~43-1032~~, Arizona Revised Statutes, is repealed.

1 Sec. 47. Section 43-1042, Arizona Revised Statutes, is amended to
2 read:

3 43-1042. Itemized deductions

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

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

14 ~~C. Notwithstanding subsection B of this section, expenses for~~
15 ~~long-term health care that are paid or reimbursed from the taxpayer's~~
16 ~~long-term health care savings account pursuant to section 43-1032 shall~~
17 ~~not be deducted pursuant to this section.~~

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

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

25 Sec. 48. Section 43-1201, Arizona Revised Statutes, is amended to
26 read:

27 43-1201. Organizations exempt from tax

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

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

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

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

41 ~~3. Cemetery companies owned and operated exclusively for the~~
42 ~~benefit of their members or which are not operated for profit or any~~
43 ~~corporation chartered for burial purposes and not permitted by its charter~~
44 ~~to engage in any business not necessarily related to that purpose, no part~~

1 ~~of the net earnings of which inures to the benefit of any private~~
2 ~~shareholder or individual member thereof.~~

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

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

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

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

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

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

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

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

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

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

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

44 ~~11. Religious or apostolic organizations or corporations, if such~~
45 ~~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. 49. 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

1 MEANING PRESCRIBED IN SECTION 502 OF THE INTERNAL REVENUE CODE AND
2 REGULATIONS ADOPTED PURSUANT TO THAT SECTION.

3 Sec. 50. Repeal

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

5 Sec. 51. Section 43-1212, Arizona Revised Statutes, is amended to
6 read:

7 43-1212. Denial of exempt status due to prohibited
8 transactions; restoration of exempt status

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

24 B. AN ORGANIZATION THAT IS DENIED AN EXEMPTION PURSUANT TO
25 SUBSECTION A OF THIS SECTION WITH RESPECT TO ANY TAXABLE YEAR FOLLOWING
26 THE TAXABLE YEAR IN WHICH THE NOTICE WAS RECEIVED MAY HAVE ITS EXEMPT
27 STATUS UNDER SECTION 43-1201 RESTORED AT THE SAME TIME THE ORGANIZATION'S
28 EXEMPT STATUS IS RESTORED FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION
29 503 OF THE INTERNAL REVENUE CODE.

30 Sec. 52. Repeal

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

33 Sec. 53. Section 43-1231, Arizona Revised Statutes, is amended to
34 read:

35 43-1231. Taxation of unrelated business income

36 Any organization, trust or church or a convention or association of
37 churches ~~which~~ THAT is exempt, except as provided in this section, from
38 taxation under this title by reason of section 43-1201, ~~paragraphs 1~~
39 ~~through 14 shall be~~ IS subject to the tax imposed under section 43-1111
40 ~~upon~~ ON its ~~"unrelated business taxable income"~~ as defined in section
41 512 of the internal revenue code. ~~Such taxes shall also apply to an~~
42 ~~organization described in section 43-1201, paragraph 8 if the income is~~
43 ~~payable to an organization which itself is subject to the tax imposed~~
44 ~~under this section or to a church or to a convention or association of~~
45 ~~churches.~~

1 Sec. 54. Section 43-1242, Arizona Revised Statutes, is amended to
2 read:

3 ~~43-1242. Information returns of tax-exempt organizations;~~
4 definition

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

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

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

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

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

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

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

30 ~~1. its~~ THE ORGANIZATION'S gross receipts for the year.

31 ~~2. its~~ THE ORGANIZATION'S expenses ~~attributable to such income and~~
32 ~~incurred within the year.~~

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

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

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

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

40 ~~7.~~ 3. A balance sheet showing ~~its~~ THE ORGANIZATION'S assets,
41 liabilities and net worth as of the beginning AND END of ~~such~~ THE year.

42 ~~8.~~ 4. Such other information as the department may prescribe by
43 rule.

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

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

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

~~D. B.~~ 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. 55. Section 43-1365, Arizona Revised Statutes, is amended to read:

43-1365. Request for prompt assessment

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

Sec. 56. Section 43-1502, Arizona Revised Statutes, is amended to read:

43-1502. Certification as a school tuition organization

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

B. The department shall:

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

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

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

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

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

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

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

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

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

9 6. Failed or refused to meet any of the requirements in section
10 43-1503, subsection B.

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

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

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

29 Sec. 57. Section 43-1602, Arizona Revised Statutes, is amended to
30 read:

31 43-1602. Certification as a school tuition organization

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

39 B. The department shall:

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

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

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

44 C. The department shall send ~~written~~ notice by certified mail **OR BY**
45 **E-MAIL** to a school tuition organization if the department determines that

1 the school tuition organization has engaged in any of the following
2 activities:

3 1. Failed or refused to allocate at least ninety percent of annual
4 revenues from contributions made for the purposes of sections 43-1089 and
5 43-1089.03 for educational scholarships or tuition grants.

6 2. Failed or refused to file the annual reports required by section
7 43-1604.

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

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

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

15 6. Failed or refused to meet any of the requirements in section
16 43-1603, subsection B.

17 7. Failed or refused to include the notice required in section
18 43-1603, subsection C.

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

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

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

37 Sec. 58. Conditional enactment

38 Section 42-2003, Arizona Revised Statutes, as amended by Laws 2017,
39 chapter 96, section 1, chapter 139, section 4, chapter 258, section 43 and
40 chapter 340, section 2 and this act, is effective from and after December
41 31, 2018 only if Laws 2017, chapter 139, the subject of referendum
42 petition R-02-2018, is approved by a vote of the people at the next
43 general election or fails to be referred to the voters at the next general
44 election.

1 Sec. 59. Effective date

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

3 Sec. 60. Legislative intent

4 It is the intent of the legislature in enacting this act that from
5 and after the effective date of this act:

6 1. The department of revenue provides the taxpayer the option of
7 receiving notices from the department by electronic or physical means.

8 2. The department of revenue provides notices by the means
9 requested by the taxpayer.