

State of Arizona
House of Representatives
Fifty-fourth Legislature
First Regular Session
2019

HOUSE BILL 2672

AN ACT

AMENDING SECTIONS 9-500.39 AND 11-269.17, ARIZONA REVISED STATUTES; AMENDING TITLE 42, CHAPTER 1, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 42-1125.02; AMENDING SECTIONS 42-2001 AND 42-2003, ARIZONA REVISED STATUTES; AMENDING TITLE 42, CHAPTER 5, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 42-5042; RELATING TO VACATION RENTALS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:
2 Section 1. Section 9-500.39, Arizona Revised Statutes, is amended
3 to read:

4 **9-500.39. Limits on regulation of vacation rentals and**
5 **short-term rentals; state preemption; definitions**

6 A city or town may not prohibit vacation rentals or short-term
7 rentals.

8 B. A city or town may not restrict the use of or regulate vacation
9 rentals or short-term rentals based on their classification, use or
10 occupancy **EXCEPT AS PROVIDED IN THIS SECTION**. A city or town may regulate
11 vacation rentals or short-term rentals for the following purposes:

12 1. **Protection of** **PROTECTING** the public's health and safety,
13 including rules and regulations related to fire and building codes, health
14 and sanitation, transportation or traffic control, solid or hazardous
15 waste and pollution control, and designation of an emergency point of
16 contact, if the city or town demonstrates that the rule or regulation is
17 for the primary purpose of protecting the public's health and safety.

18 2. Adopting and enforcing residential use and zoning ordinances,
19 including ordinances related to noise, protection of welfare, property
20 maintenance and other nuisance issues, if the ordinance is applied in the
21 same manner as other property classified under sections 42-12003 and
22 42-12004.

23 3. Limiting or prohibiting the use of a vacation rental or
24 short-term rental for the purposes of housing sex offenders, operating or
25 maintaining a sober living home, selling illegal drugs, liquor control or
26 pornography, obscenity, nude or topless dancing and other adult-oriented
27 businesses.

28 4. **REQUIRING THE OWNER OF A VACATION RENTAL OR SHORT-TERM RENTAL TO**
29 **PROVIDE THE CITY OR TOWN WITH CONTACT INFORMATION FOR THE OWNER OR THE**
30 **OWNER'S DESIGNEE WHO IS RESPONSIBLE FOR RESPONDING TO COMPLAINTS IN A**
31 **TIMELY MANNER IN PERSON, OVER THE PHONE OR BY E-MAIL AT ANY TIME OF DAY**
32 **BEFORE OFFERING FOR RENT OR RENTING THE VACATION RENTAL OR SHORT-TERM**
33 **RENTAL.**

34 C. **WITHIN THIRTY DAYS AFTER A VERIFIED VIOLATION, A CITY OR TOWN**
35 **SHALL NOTIFY THE DEPARTMENT OF REVENUE AND THE OWNER OF THE VACATION**
36 **RENTAL OR SHORT-TERM RENTAL OF THE VERIFIED VIOLATION OF THE CITY'S OR**
37 **TOWN'S APPLICABLE LAWS, REGULATIONS OR ORDINANCES AND, IF THE OWNER OF THE**
38 **VACATION RENTAL OR SHORT-TERM RENTAL RECEIVED THE VERIFIED VIOLATION,**
39 **WHETHER THE CITY OR TOWN IMPOSED A CIVIL PENALTY ON THE OWNER OF THE**
40 **VACATION RENTAL OR SHORT-TERM RENTAL AND THE AMOUNT OF THE CIVIL PENALTY,**
41 **IF ASSESSED. IF MULTIPLE VERIFIED VIOLATIONS ARISE OUT OF THE SAME**
42 **RESPONSE TO AN INCIDENT AT A VACATION RENTAL OR SHORT-TERM RENTAL, THOSE**
43 **VERIFIED VIOLATIONS ARE CONSIDERED ONE VERIFIED VIOLATION FOR THE PURPOSE**
44 **OF ASSESSING CIVIL PENALTIES PURSUANT TO SECTION 42-1125, SUBSECTION AA.**

1 D. IF THE OWNER OF A VACATION RENTAL OR SHORT-TERM RENTAL HAS
2 PROVIDED CONTACT INFORMATION TO A CITY OR TOWN PURSUANT TO SUBSECTION B,
3 PARAGRAPH 4 OF THIS SECTION AND IF THE CITY OR TOWN ISSUES A CITATION FOR
4 A VIOLATION OF THE CITY'S OR TOWN'S APPLICABLE LAWS, REGULATIONS OR
5 ORDINANCES OR A STATE LAW THAT OCCURRED ON THE OWNER'S VACATION RENTAL OR
6 SHORT-TERM RENTAL PROPERTY, THE CITY OR TOWN SHALL MAKE A REASONABLE
7 ATTEMPT TO NOTIFY THE OWNER OR THE OWNER'S DESIGNEE OF THE CITATION WITHIN
8 SEVEN BUSINESS DAYS AFTER THE CITATION IS ISSUED USING THE CONTACT
9 INFORMATION PROVIDED PURSUANT TO SUBSECTION B, PARAGRAPH 4 OF THIS
10 SECTION. IF THE OWNER OF A VACATION RENTAL OR SHORT-TERM RENTAL HAS NOT
11 PROVIDED CONTACT INFORMATION PURSUANT TO SUBSECTION B, PARAGRAPH 4 OF THIS
12 SECTION, THE CITY OR TOWN IS NOT REQUIRED TO PROVIDE SUCH NOTICE.

13 E. This section does not exempt an owner of a residential
14 rental property, as defined in section 33-1901, from maintaining with the
15 assessor of the county in which the property is located information
16 required under title 33, chapter 17, article 1.

17 F. A VACATION RENTAL OR SHORT-TERM RENTAL MAY NOT BE USED FOR
18 NONRESIDENTIAL USES, INCLUDING FOR A SPECIAL EVENT THAT WOULD OTHERWISE
19 REQUIRE A PERMIT OR LICENSE PURSUANT TO A CITY OR TOWN ORDINANCE OR A
20 STATE LAW OR RULE OR FOR A RETAIL, RESTAURANT, BANQUET SPACE OR OTHER
21 SIMILAR USE.

22 G. For the purposes of this section:

23 1. "Transient" has the same meaning prescribed in section 42-5070.
24 2. "Vacation rental" or "short-term rental" means any individually
25 or collectively owned single-family or one-to-four-family house or
26 dwelling unit or any unit or group of units in a condominium, cooperative
27 or timeshare, that is also a transient public lodging establishment or
28 owner-occupied residential home offered for transient use if the
29 accommodations are not classified for property taxation under section
30 42-12001. Vacation rental and short-term rental do not include a unit
31 that is used for any nonresidential use, including retail, restaurant,
32 banquet space, event center or another similar use.

33 3. "VERIFIED VIOLATION" MEANS A FINDING OF GUILT OR CIVIL
34 RESPONSIBILITY FOR VIOLATING ANY STATE LAW OR LOCAL ORDINANCE RELATING TO
35 A PURPOSE PRESCRIBED IN SUBSECTION B OR F OF THIS SECTION THAT HAS BEEN
36 FINALLY ADJUDICATED.

37 Sec. 2. Section 11-269.17, Arizona Revised Statutes, is amended to
38 read:

39 11-269.17. Limits on regulation of vacation rentals and
40 short-term rentals; state preemption;
41 definitions

42 A. A county may not prohibit vacation rentals or short-term
43 rentals.

44 B. A county may not restrict the use of or regulate vacation
45 rentals or short-term rentals based on their classification, use or

1 occupancy EXCEPT AS PROVIDED IN THIS SECTION. A county may regulate
2 vacation rentals or short-term rentals for the following purposes:

3 1. ~~Protection of~~ PROTECTING the public's health and safety,
4 including rules and regulations related to fire and building codes, health
5 and sanitation, transportation or traffic control, solid or hazardous
6 waste and pollution control, and designation of an emergency point of
7 contact, if the county demonstrates that the rule or regulation is for the
8 primary purpose of protecting the public's health and safety.

9 2. Adopting and enforcing residential use and zoning ordinances,
10 including ordinances related to noise, protection of welfare, property
11 maintenance and other nuisance issues, if the ordinance is applied in the
12 same manner as other property classified under sections 42-12003 and
13 42-12004.

14 3. Limiting or prohibiting the use of a vacation rental or
15 short-term rental for the purposes of housing sex offenders, operating or
16 maintaining a sober living home, selling illegal drugs, liquor control or
17 pornography, obscenity, nude or topless dancing and other adult-oriented
18 businesses.

19 4. REQUIRING THE OWNER OF A VACATION RENTAL OR SHORT-TERM RENTAL TO
20 PROVIDE THE COUNTY WITH CONTACT INFORMATION FOR THE OWNER OR THE OWNER'S
21 DESIGNEE WHO IS RESPONSIBLE FOR RESPONDING TO COMPLAINTS IN A TIMELY
22 MANNER IN PERSON, OVER THE PHONE OR BY E-MAIL AT ANY TIME OF DAY BEFORE
23 OFFERING FOR RENT OR RENTING THE VACATION RENTAL OR SHORT-TERM RENTAL.

24 C. WITHIN THIRTY DAYS AFTER A VERIFIED VIOLATION, A COUNTY SHALL
25 NOTIFY THE DEPARTMENT OF REVENUE AND THE OWNER OF THE VACATION RENTAL OR
26 SHORT-TERM RENTAL OF THE VERIFIED VIOLATION OF THE COUNTY'S APPLICABLE
27 LAWS, REGULATIONS OR ORDINANCES AND, IF THE PROPERTY OWNER RECEIVED THE
28 VERIFIED VIOLATION, WHETHER THE COUNTY IMPOSED A CIVIL PENALTY ON THE
29 OWNER OF THE VACATION RENTAL OR SHORT-TERM RENTAL AND THE AMOUNT OF THE
30 CIVIL PENALTY, IF ASSESSED. IF MULTIPLE VERIFIED VIOLATIONS ARISE OUT OF
31 THE SAME RESPONSE TO AN INCIDENT AT A VACATION RENTAL OR SHORT-TERM
32 RENTAL, THOSE VERIFIED VIOLATIONS ARE CONSIDERED ONE VERIFIED VIOLATION
33 FOR THE PURPOSE OF ASSESSING CIVIL PENALTIES PURSUANT TO SECTION 42-1125,
34 SUBSECTION AA.

35 D. IF THE OWNER OF A VACATION RENTAL OR SHORT-TERM RENTAL HAS
36 PROVIDED CONTACT INFORMATION TO A COUNTY PURSUANT TO SUBSECTION B,
37 PARAGRAPH 4 OF THIS SECTION AND IF THE COUNTY ISSUES A CITATION FOR A
38 VIOLATION OF THE COUNTY'S APPLICABLE LAWS, REGULATIONS OR ORDINANCES OR A
39 STATE LAW THAT OCCURRED ON THE OWNER'S VACATION RENTAL OR SHORT-TERM
40 RENTAL PROPERTY, THE COUNTY SHALL MAKE A REASONABLE ATTEMPT TO NOTIFY THE
41 OWNER OR THE OWNER'S DESIGNEE OF THE CITATION WITHIN SEVEN BUSINESS DAYS
42 AFTER THE CITATION IS ISSUED USING THE CONTACT INFORMATION PROVIDED
43 PURSUANT TO SUBSECTION B, PARAGRAPH 4 OF THIS SECTION. IF THE OWNER OF A
44 VACATION RENTAL OR SHORT-TERM RENTAL HAS NOT PROVIDED CONTACT INFORMATION

1 PURSUANT TO SUBSECTION B, PARAGRAPH 4 OF THIS SECTION, THE COUNTY IS NOT
2 REQUIRED TO PROVIDE SUCH NOTICE.

3 ~~E.~~ E. This section does not exempt an owner of a residential
4 rental property, as defined in section 33-1901, from maintaining with the
5 assessor of the county in which the property is located information
6 required under title 33, chapter 17, article 1.

7 F. A VACATION RENTAL OR SHORT-TERM RENTAL MAY NOT BE USED FOR
8 NONRESIDENTIAL USES, INCLUDING FOR A SPECIAL EVENT THAT WOULD OTHERWISE
9 REQUIRE A PERMIT OR LICENSE PURSUANT TO A COUNTY ORDINANCE OR A STATE LAW
10 OR RULE OR FOR A RETAIL, RESTAURANT, BANQUET SPACE OR OTHER SIMILAR USE.

11 ~~F.~~ G. For the purposes of this section:

12 1. "Transient" has the same meaning prescribed in section 42-5070.

13 2. "Vacation rental" or "short-term rental" means any individually
14 or collectively owned single-family or one-to-four-family house or
15 dwelling unit or any unit or group of units in a condominium, cooperative
16 or timeshare, that is also a transient public lodging establishment or
17 owner-occupied residential home offered for transient use if the
18 accommodations are not classified for property taxation under section
19 42-12001. Vacation rental and short-term rental do not include a unit
20 that is used for any nonresidential use, including retail, restaurant,
21 banquet space, event center or another similar use.

22 3. "VERIFIED VIOLATION" MEANS A FINDING OF GUILT OR CIVIL
23 RESPONSIBILITY FOR VIOLATING ANY STATE LAW OR LOCAL ORDINANCE RELATING TO
24 A PURPOSE PRESCRIBED IN SUBSECTION B OR F OF THIS SECTION THAT HAS BEEN
25 FINALLY ADJUDICATED.

26 Sec. 3. Title 42, chapter 1, article 3, Arizona Revised Statutes,
27 is amended by adding section 42-1125.02, to read:

28 42-1125.02. Civil penalties; online lodging operators;
29 appeal; definitions

30 A. AN ONLINE LODGING OPERATOR THAT FAILS TO COMPLY WITH SECTION
31 42-5042 SHALL PAY THE FOLLOWING CIVIL PENALTY:

32 1. FOR A FIRST OFFENSE, \$250.

33 2. FOR A SECOND AND ANY SUBSEQUENT OFFENSE, \$1,000.

34 B. IF AN ONLINE LODGING OPERATOR RECEIVED A VERIFIED VIOLATION, THE
35 ONLINE LODGING OPERATOR SHALL PAY THE FOLLOWING CIVIL PENALTY:

36 1. FOR A FIRST VERIFIED VIOLATION RECEIVED FOR A PROPERTY, EITHER:

37 (a) IF THE CITY, TOWN OR COUNTY DID NOT IMPOSE A CIVIL PENALTY ON
38 THE ONLINE LODGING OPERATOR FOR THE VERIFIED VIOLATION, \$500.

39 (b) IF THE CITY, TOWN OR COUNTY IMPOSED A CIVIL PENALTY ON THE
40 ONLINE LODGING OPERATOR FOR THE VERIFIED VIOLATION, THE DIFFERENCE BETWEEN
41 THE AMOUNT PRESCRIBED IN SUBDIVISION (a) OF THIS PARAGRAPH AND THE AMOUNT
42 OF THE CIVIL PENALTY THE CITY, TOWN OR COUNTY IMPOSED ON THE ONLINE
43 LODGING OPERATOR FOR THE VERIFIED VIOLATION.

44 2. FOR A SECOND VERIFIED VIOLATION RECEIVED ON THE SAME PROPERTY
45 WITHIN A TWELVE-MONTH PERIOD, EITHER:

(a) IF THE CITY, TOWN OR COUNTY DID NOT IMPOSE A CIVIL PENALTY ON THE ONLINE LODGING OPERATOR FOR THE VERIFIED VIOLATION, \$1,000.

(b) IF THE CITY, TOWN OR COUNTY IMPOSED A CIVIL PENALTY ON THE ONLINE LODGING OPERATOR FOR THE VERIFIED VIOLATION, THE DIFFERENCE BETWEEN THE AMOUNT PRESCRIBED IN SUBDIVISION (a) OF THIS PARAGRAPH AND THE AMOUNT OF THE CIVIL PENALTY THE CITY, TOWN OR COUNTY IMPOSED ON THE ONLINE LODGING OPERATOR FOR THE VERIFIED VIOLATION.

3. FOR A THIRD AND ANY SUBSEQUENT VERIFIED VIOLATION RECEIVED ON THE SAME PROPERTY WITHIN THE SAME TWELVE-MONTH PERIOD, EITHER:

(a) IF THE CITY, TOWN OR COUNTY DID NOT IMPOSE A CIVIL PENALTY ON THE ONLINE LODGING OPERATOR FOR THE VERIFIED VIOLATION, FIFTY PERCENT OF THE GROSS MONTHLY REVENUES OF THE LODGING ACCOMMODATION AT WHICH THE VIOLATION OCCURRED FOR THE MONTH IN WHICH THE VIOLATION OCCURRED OR \$1,500, WHICHEVER IS GREATER.

(b) IF THE CITY, TOWN OR COUNTY IMPOSED A CIVIL PENALTY ON THE ONLINE LODGING OPERATOR FOR THE VERIFIED VIOLATION, THE DIFFERENCE BETWEEN THE AMOUNT PRESCRIBED IN SUBDIVISION (a) OF THIS PARAGRAPH AND THE AMOUNT OF THE CIVIL PENALTY THE CITY, TOWN OR COUNTY IMPOSED ON THE ONLINE LODGING OPERATOR FOR THE VERIFIED VIOLATION.

C. IF THE DEPARTMENT IMPOSES A CIVIL PENALTY PURSUANT TO SUBSECTION B, PARAGRAPH 1 OF THIS SECTION AND THE ONLINE LODGING OPERATOR APPEALS THE CIVIL PENALTY, THE HEARING OFFICER MAY WAIVE OR LOWER THE CIVIL PENALTY BASED ON THE ONLINE LODGING OPERATOR'S DILIGENCE IN ATTEMPTING TO PROHIBIT RENTERS FROM VIOLATING STATE LAW OR THE CITY'S OR TOWN'S APPLICABLE LAWS, REGULATIONS OR ORDINANCES. IN DETERMINING WHETHER TO WAIVE OR LOWER THE CIVIL PENALTY, THE HEARING OFFICER SHALL CONSIDER BOTH OF THE FOLLOWING:

1. WHETHER RULES THAT PROHIBIT ACTIVITIES VIOLATING STATE LAW OR THE CITY'S OR TOWN'S APPLICABLE LAWS, REGULATIONS OR ORDINANCES WERE INCLUDED IN THE ADVERTISEMENT FOR THE LODGING ACCOMMODATION, VACATION RENTAL OR SHORT-TERM RENTAL.

2. WHETHER THE RULES DESCRIBED IN PARAGRAPH 1 OF THIS SUBSECTION WERE POSTED IN A CONSPICUOUS LOCATION INSIDE THE LODGING ACCOMMODATION, VACATION RENTAL OR SHORT-TERM RENTAL.

D. FOR THE PURPOSES OF THIS SECTION:

1. "LODGING ACCOMMODATION" HAS THE SAME MEANING PRESCRIBED IN SECTION 42-5076.

2. "ONLINE LODGING MARKETPLACE" HAS THE SAME MEANING PRESCRIBED IN SECTION 42-5076.

3. "ONLINE LODGING OPERATOR" HAS THE SAME MEANING PRESCRIBED IN SECTION 42-5076 AND INCLUDES AN OWNER OF A VACATION RENTAL OR SHORT-TERM RENTAL THAT IS NOT OFFERED THROUGH AN ONLINE LODGING MARKETPLACE.

4. "VACATION RENTAL" AND "SHORT-TERM RENTAL" HAVE THE SAME MEANINGS PRESCRIBED IN SECTION 9-500.39 OR 11-269.17.

5. "VERIFIED VIOLATION" HAS THE SAME MEANING PRESCRIBED IN SECTION 9-500.39 OR 11-269.17.

1 Sec. 4. Section 42-2001, Arizona Revised Statutes, is amended to
2 read:

3 **42-2001. Definitions**

4 In this article, unless the context otherwise requires:

5 1. "Confidential information":

6 (a) Includes the following information whether it concerns
7 individual taxpayers or is aggregate information for specifically
8 identified taxpayers:

9 (i) Returns and reports filed with the department for income tax,
10 withholding tax, transaction privilege tax, luxury tax, use tax, property
11 tax and severance tax.

12 (ii) Applications for transaction privilege licenses, luxury tax
13 licenses, use tax licenses and withholding licenses.

14 (iii) Information discovered concerning taxes and receipts by the
15 department, whether or not by compulsory process.

16 (iv) Return information obtained from the United States internal
17 revenue service and United States bureau of alcohol, tobacco and firearms.

18 (v) Information supplied at the special request of the department
19 by a taxpayer ~~which~~ THAT the taxpayer requests to be held in confidence.

20 (vi) Guidelines, standards or procedures that are established by
21 the department for, or other information relating to, selecting returns or
22 taxpayers for examination or settling or compromising any tax liability.

23 (vii) A taxpayer's identity, the nature, source or amount of the
24 taxpayer's income, payments, receipts, deductions, exemptions, credits,
25 assets, liabilities, net worth, tax liability, tax withheld, deficiencies,
26 overassessments or tax payments, whether the taxpayer's return was, is
27 being or will be examined or subject to investigation, collection or
28 processing or any other data received by, recorded by, prepared by,
29 furnished to or collected by the department with respect to a return or
30 with respect to the termination, or possible existence, of liability of
31 any person for any tax, penalty or interest imposed pursuant to this title
32 or title 43.

33 (viii) Information supplied by an employee to an employer regarding
34 the employee's election to have the employee's withholding tax reduced for
35 the purposes of contributions to qualifying charitable organizations,
36 qualified school tuition organizations or public schools pursuant to
37 section 43-401, subsection G.

38 (b) Does not include information that is otherwise a public record.

39 2. "Report" includes a notice of insurance payments, a request for
40 a release of a bank account and an inventory of a safe deposit box.

41 3. "Return" includes any form prescribed by the department and any
42 supporting schedules, attachments and lists.

43 4. "Tax administration" includes assessment, collection,
44 investigation, litigation, statistical gathering functions, enforcement,

1 policy making functions or management of those functions of the tax
2 revenue laws of this state.

3 5. "TAX OFFICIAL" MEANS A NONELECTED EMPLOYEE OR THE NONELECTED
4 EMPLOYEE'S DESIGNEE OR AGENT WHO IS RESPONSIBLE FOR TAX ADMINISTRATION.

5 5. 6. "Taxpayer", with respect to a joint return, means either
6 party.

7 Sec. 5. Section 42-2003, Arizona Revised Statutes, is amended to
8 read:

9 42-2003. Authorized disclosure of confidential information

10 A. Confidential information relating to:

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

15 2. A corporate taxpayer may be disclosed to any principal officer,
16 any person designated by a principal officer or any person designated in a
17 resolution by the corporate board of directors or other similar governing
18 body. If a corporate officer signs a statement under penalty of perjury
19 representing that the officer is a principal officer, the department may
20 rely on the statement until the statement is shown to be false. For the
21 purposes of this paragraph, "principal officer" includes a chief executive
22 officer, president, secretary, treasurer, vice president of tax, chief
23 financial officer, chief operating officer or chief tax officer or any
24 other corporate officer who has the authority to bind the taxpayer on
25 matters related to state taxes.

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

29 4. A limited liability company may be disclosed to any member of
30 the company or, if the company is manager-managed, to any manager.

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

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

40 7. A government entity may be disclosed to the head of the entity
41 or a member of the governing board of the entity, or any employee of the
42 entity who has been delegated the authorization in writing by the head of
43 the entity or the governing board of the entity.

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

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

6 10. Any taxpayer may be disclosed during a meeting or telephone
7 call if the taxpayer is present during the meeting or telephone call and
8 authorizes the disclosure of confidential information.

9 B. Confidential information may be disclosed to:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14 8. The office of administrative hearings relating to taxes
15 administered by the department pursuant to section 42-1101, but the
16 department shall not disclose any confidential information without the
17 taxpayer's written consent:

18 (a) Regarding income tax or withholding tax.

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

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

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

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

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

31 (a) Qualifying renewable energy operations for the tax incentives
32 under section 42-12006.

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

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

38 (d) Certifying computer data centers for tax relief under section
39 41-1519.

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

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

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

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

3 17. The department of administration risk management division and
4 the office of the attorney general if the information relates to a claim
5 against this state pursuant to section 12-821.01 involving the department
6 of revenue.

7 18. Another state agency if the taxpayer authorizes the disclosure
8 of confidential information in writing, including an authorization that is
9 part of an application form or other document submitted to the agency.

10 19. The department of economic security for its use in determining
11 whether an employer has paid all amounts due under the unemployment
12 insurance program pursuant to title 23, chapter 4.

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

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

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

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

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

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

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

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

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

41 F. A department employee, in connection with the official duties
42 relating to any audit, collection activity or civil or criminal
43 investigation, may disclose return information to the extent that
44 disclosure is necessary to obtain information that is not otherwise
45 reasonably available. These official duties include the correct

1 determination of and liability for tax, the amount to be collected or the
2 enforcement of other state tax revenue laws.

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

11 1. May **only** be used ONLY for internal purposes, including audits.
12 IF THERE IS A LEGITIMATE BUSINESS NEED RELATING TO ENFORCING LAWS,
13 REGULATIONS AND ORDINANCES PURSUANT TO SECTION 9-500.39 OR 11-269.17, A
14 COUNTY, CITY OR TOWN TAX OFFICIAL MAY REDISCLOSE TRANSACTION PRIVILEGE TAX
15 INFORMATION RELATING TO A VACATION RENTAL OR SHORT-TERM RENTAL PROPERTY
16 OWNER OR ONLINE LODGING OPERATOR FROM THE NEW LICENSE REPORT AND LICENSE
17 UPDATE REPORT, SUBJECT TO THE FOLLOWING:

18 (a) THE INFORMATION REDISCLOSED IS LIMITED TO THE FOLLOWING:
19 (i) THE TRANSACTION PRIVILEGE TAX LICENSE NUMBER.
20 (ii) THE TYPE OF ORGANIZATION OR OWNERSHIP OF THE BUSINESS.
21 (iii) THE LEGAL BUSINESS NAME AND DOING BUSINESS AS NAME, IF
22 DIFFERENT FROM THE LEGAL NAME.

23 (iv) THE BUSINESS MAILING ADDRESS, TAX RECORD PHYSICAL LOCATION
24 ADDRESS, TELEPHONE NUMBER, E-MAIL ADDRESS AND FAX NUMBER.

25 (v) THE DATE THE BUSINESS STARTED IN THIS STATE, THE BUSINESS
26 DESCRIPTION AND THE NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM CODE.

27 (vi) THE NAME, ADDRESS AND TELEPHONE NUMBER FOR EACH OWNER,
28 PARTNER, CORPORATE OFFICER, MEMBER, MANAGING MEMBER OR OFFICIAL OF THE
29 EMPLOYING UNIT.

30 (b) REDISCLOSURE IS LIMITED TO NONELECTED OFFICIALS IN OTHER UNITS
31 WITHIN THE COUNTY, CITY OR TOWN. THE INFORMATION MAY NOT BE REDISCLOSED
32 TO AN ELECTED OFFICIAL OR THE ELECTED OFFICIAL'S STAFF.

33 (c) ALL REDISCLOSURES OF CONFIDENTIAL INFORMATION MADE PURSUANT TO
34 THIS PARAGRAPH ARE SUBJECT TO PARAGRAPH 2 OF THIS SUBSECTION.

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

42 H. The department may disclose statistical information gathered
43 from confidential information if it does not disclose confidential
44 information attributable to any one taxpayer. The department may disclose

1 statistical information gathered from confidential information, even if it
2 discloses confidential information attributable to a taxpayer, to:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10 V. The department may provide the name and address of qualifying
11 hospitals and qualifying health care organizations, as defined in section
12 42-5001, to a business **THAT IS** classified and reporting transaction
13 privilege tax under the utilities classification.

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

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

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

28 X. Notwithstanding any other provision of this section, the
29 department may not disclose information provided by an online lodging
30 marketplace, as defined in section 42-5076, without the written consent of
31 the online lodging marketplace, and the information may be disclosed only
32 pursuant to subsection A, paragraphs 1 through 6, 8 and 10, subsection B,
33 paragraphs 1, 2, 7 and 8 and subsections C, **and** D **AND** G of this section.
34 Such information:

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

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

39 Sec. 6. Title 42, chapter 5, article 1, Arizona Revised Statutes,
40 is amended by adding section 42-5042, to read:

41 42-5042. **Online lodging operators; requirements; definitions**

42 A. AN ONLINE LODGING OPERATOR MAY NOT OFFER FOR RENT OR RENT A
43 LODGING ACCOMMODATION WITHOUT A CURRENT TRANSACTION PRIVILEGE TAX LICENSE.
44 THE ONLINE LODGING OPERATOR SHALL LIST THE TRANSACTION PRIVILEGE TAX
45 LICENSE NUMBER ON EACH ADVERTISEMENT FOR EACH LODGING ACCOMMODATION THE

1 ONLINE LODGING OPERATOR MAINTAINS, INCLUDING ONLINE LODGING MARKETPLACE
2 POSTINGS.

3 B. FOR THE PURPOSES OF THIS SECTION:

4 1. "LODGING ACCOMMODATION" HAS THE SAME MEANING PRESCRIBED IN
5 SECTION 42-5076.

6 2. "ONLINE LODGING MARKETPLACE" HAS THE SAME MEANING PRESCRIBED IN
7 SECTION 42-5076.

8 3. "ONLINE LODGING OPERATOR" HAS THE SAME MEANING PRESCRIBED IN
9 SECTION 42-5076 AND INCLUDES AN OWNER OF A VACATION RENTAL OR SHORT-TERM
10 RENTAL, AS DEFINED IN SECTION 9-500.39 OR 11-269.17, THAT IS NOT OFFERED
11 THROUGH AN ONLINE LODGING MARKETPLACE.