



ARIZONA STATE SENATE
Fifty-Fourth Legislature, First Regular Session

AMENDED
FACT SHEET FOR S.C.R. 1001

education; TPT; use tax

Purpose

Subject to voter approval, constitutionally establishes an additional one percent transaction privilege tax and use tax, beginning July 1, 2021.

Background

The transaction privilege tax (TPT) is a gross receipts tax levied on certain persons for the privilege of conducting business in the state. Although TPT is commonly referred to as Arizona's sales tax, it differs from the "true" sales tax as it is imposed upon the seller rather than the buyer of the taxable item.

Although the seller may pass the burden of the tax onto the buyer, the seller is the party that remains ultimately liable to the state for the tax. TPT is currently imposed under 16 separate business classifications: retail, transporting, utilities, telecommunications, publication, job printing, pipeline, private car line, commercial lease, transient lodging, personal property rental, mining, amusement, restaurant, prime contracting and owner builder sales.

According to the Joint Legislative Budget Committee, if the one percent TPT and use tax in S.C.R 1001 were in effect in FY 2018, they would have generated an additional \$472,731,000.

Provisions

1. Beginning July 1, 2021, levies and collects a TPT and use tax for raising primary, secondary and higher education state revenues.
2. Establishes the tax as a separate rate increment, in addition to the state TPT rates and the use tax rate, and is levied as follows:
 - a) one percent of the tax base for each TPT classification subject to a rate of at least 5 percent; and
 - b) one percent of the tax base for the use tax.
3. Subjects the tax to the same exemptions, deductions and exclusions for each TPT classification and for the use tax.
4. Specifies the net revenues from the tax will be credited to, and separately accounted in, the state General Fund and appropriated as follows:
 - a) 75 percent for primary and secondary classroom education purposes;
 - b) 20 percent for maintaining an in-state tuition rate consistent as outlined in the Arizona Constitution and for technology and research initiatives; and
 - c) 5 percent for community college trade and workforce development programs.

5. Specifies the net revenues from the tax are not subject to distribution to counties, municipalities or other governmental entities.
6. Stipulates the tax is not subject to the limitations on any tax, fee, stamp requirement or other assessment in effect on December 31, 2017.
7. Requires the Secretary of State to submit the proposition to the voters at the next general election.
8. Becomes effective if approved by the voters and on proclamation of the Governor.

Amendments Adopted by Committee of the Whole

1. Increases, from 73 percent to 75 percent, the distribution from the TPT and use tax for primary and secondary classroom education purposes.
2. Reduces, from 22 percent to 20 percent, the distribution from the TPT and use tax for maintaining an in-state tuition rate consistent with the Arizona Constitution.
3. Adds technology and research initiatives to the distribution.

Senate Action

ED	1/22/19	DP	5-3-0
APPROP	2/4/19	W/D	

Prepared by Senate Research

March 4, 2019

JO/gs