

REFERENCE TITLE: vacation rentals; short-term rentals; repeal

State of Arizona  
Senate  
Fifty-fifth Legislature  
Second Regular Session  
2022

# SB 1026

Introduced by  
Senator Rogers

## AN ACT

REPEALING SECTIONS 9-500.39, 11-269.17 AND 42-1125.02, ARIZONA REVISED STATUTES; AMENDING SECTIONS 42-2003 AND 42-5042, ARIZONA REVISED STATUTES; RELATING TO VACATION RENTALS AND SHORT-TERM RENTALS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Repeal

3 Sections 9-500.39, 11-269.17 and 42-1125.02, Arizona Revised  
4 Statutes, are repealed.

5 Sec. 2. Section 42-2003, Arizona Revised Statutes, is amended to  
6 read:

7 42-2003. Authorized disclosure of confidential information

8 A. Confidential information relating to:

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

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

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

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

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

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

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

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

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

3           10. Any taxpayer may be disclosed during a meeting or telephone  
4 call if the taxpayer is present during the meeting or telephone call and  
5 authorizes the disclosure of confidential information.

6           B. Confidential information may be disclosed to:

7           1. Any employee of the department whose official duties involve tax  
8 administration.

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

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

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

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

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

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

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

40           (d) An agency, official or organization of a foreign country with  
41 responsibilities that are comparable to those listed in subdivision (a),  
42 (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           20. The department of health services for its use in determining  
14 the following:

15           (a) Whether a medical marijuana dispensary is in compliance with  
16 the tax requirements of chapter 5 of this title for the purposes of  
17 section 36-2806, subsection A.

18           (b) Whether a marijuana establishment, marijuana testing facility  
19 or dual licensee licensed under title 36, chapter 28.2 is in compliance  
20 with the tax obligations under this title or title 43.

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

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

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

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

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

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

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

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

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

1 number or disclose the information to be posted on the department's  
2 website or otherwise publicly accessible pursuant to section 42-1124,  
3 subsection F and section 42-3401.

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

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

19 1. ~~May be used only for internal purposes, including audits. If~~  
20 ~~there is a legitimate business need relating to enforcing laws,~~  
21 ~~regulations and ordinances pursuant to section 9-500.39 or 11-269.17, a~~  
22 ~~county, city or town tax official may redisclose transaction privilege tax~~  
23 ~~information relating to a vacation rental or short-term rental property~~  
24 ~~owner or online lodging operator from the new license report and license~~  
25 ~~update report, subject to the following:~~

26 ~~(a) The information redisclosed is limited to the following:~~

27 ~~(i) The transaction privilege tax license number.~~

28 ~~(ii) The type of organization or ownership of the business.~~

29 ~~(iii) The legal business name and doing business as name, if~~  
30 ~~different from the legal name.~~

31 ~~(iv) The business mailing address, tax record physical location~~  
32 ~~address, telephone number, email address and fax number.~~

33 ~~(v) The date the business started in this state, the business~~  
34 ~~description and the North American industry classification system code.~~

35 ~~(vi) The name, address and telephone number for each owner,~~  
36 ~~partner, corporate officer, member, managing member or official of the~~  
37 ~~employing unit.~~

38 ~~(b) Redisclosure is limited to nonelected officials in other units~~  
39 ~~within the county, city or town. The information may not be redisclosed~~  
40 ~~to an elected official or the elected official's staff.~~

41 ~~(c) All redisclosures of confidential information made pursuant to~~  
42 ~~this paragraph are subject to paragraph 2 of this subsection.~~

43 2. May not be disclosed to the public in any manner that does not  
44 comply with confidentiality standards established by the department. The  
45 county, city or town shall agree in writing with the department that any

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

34 X. Notwithstanding any other provision of this section, the  
35 department may not disclose information provided by an online lodging  
36 marketplace, as defined in section 42-5076, without the written consent of  
37 the online lodging marketplace, and the information may be disclosed only  
38 pursuant to subsection A, paragraphs 1 through 6, 8 and 10, subsection B,  
39 paragraphs 1, 2, 7 and 8 and subsections C, D and G of this section. Such  
40 information:

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

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

1           Sec. 3. Section 42-5042, Arizona Revised Statutes, is amended to  
2 read:

3           42-5042. Online lodging operators; requirements; civil  
4                                   penalties; definitions

5           A. An online lodging operator may not offer for rent or rent a  
6 lodging accommodation without a current transaction privilege tax license.  
7 The online lodging operator shall list the transaction privilege tax  
8 license number on each advertisement for each lodging accommodation the  
9 online lodging operator maintains, including online lodging marketplace  
10 postings. AN ONLINE LODGING OPERATOR THAT FAILS TO COMPLY WITH THIS  
11 SUBSECTION SHALL PAY A CIVIL PENALTY OF \$250 FOR A FIRST OFFENSE AND  
12 \$1,000 FOR A SECOND AND ANY SUBSEQUENT OFFENSE.

13           B. For the purposes of this section:

14           1. "Lodging accommodation" has the same meaning prescribed in  
15 section 42-5076.

16           2. "Online lodging marketplace" has the same meaning prescribed in  
17 section 42-5076.

18           3. "Online lodging operator" has the same meaning prescribed in  
19 section 42-5076 and includes an owner of a vacation rental or short-term  
20 rental, ~~as defined in section 9-500.39 or 11-269.17,~~ that is not offered  
21 through an online lodging marketplace.

22           4. "VACATION RENTAL" OR "SHORT-TERM RENTAL":

23           (a) MEANS ANY INDIVIDUALLY OR COLLECTIVELY OWNED SINGLE-FAMILY OR  
24 ONE-TO-FOUR-FAMILY HOUSE OR DWELLING UNIT OR ANY UNIT OR GROUP OF UNITS IN  
25 A CONDOMINIUM, COOPERATIVE OR TIMESHARE, THAT IS ALSO A TRANSIENT PUBLIC  
26 LODGING ESTABLISHMENT OR OWNER-OCCUPIED RESIDENTIAL HOME OFFERED FOR  
27 TRANSIENT USE THAT IS NOT OFFERED THROUGH AN ONLINE LODGING MARKETPLACE IF  
28 THE ACCOMMODATIONS ARE NOT CLASSIFIED FOR PROPERTY TAXATION PURSUANT TO  
29 SECTION 42-12001.

30           (b) DOES NOT INCLUDE A UNIT THAT IS USED FOR ANY NONRESIDENTIAL  
31 USE, INCLUDING RETAIL, RESTAURANT, BANQUET SPACE, EVENT CENTER OR ANOTHER  
32 SIMILAR USE.