

Fiscal Note

BILL # HB 2382

TITLE: TPT; sourcing; validation

SPONSOR: Carter

STATUS: As Amended by Senate FICO

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Description

The amended bill would require Department of Revenue (DOR) to establish a certification program for third-party service providers offering sourcing services for Transaction Privilege Taxes (TPT). Sourcing is the correct assignment of an Arizona location (especially the county or municipality) to a transaction subject to state or local government TPT.

Estimated Impact

We estimate the bill's requirement that DOR operate a certification program for third-party service providers ("certified providers") offering sourcing assistance to taxpayers would generate additional workload and costs for DOR. Since the bill would allow DOR to set application fees for certification, we assume DOR would cover the program costs from the application fees.

DOR has not yet responded to our request for an estimate of the net cost of administering a certification program.

The bill is not expected to impact overall state TPT collections.

Analysis

A seller of a taxable product or service subject to TPT is responsible for remitting the state TPT and local government TPT to DOR. Because DOR centrally collects all TPT revenue (including local government TPT), the location data collected by DOR facilitates DOR remitting local government TPT it has collected to the appropriate jurisdiction. Online sellers may currently use third-party services and software to determine if they need to pay local and state taxes and to assist in the sourcing of TPT transactions. Some other states certify vendors or software that assist taxpayers with sourcing.

The bill would require DOR by January 1, 2026 to establish a voluntary certification process for providers and ensure the certified providers continue to meet minimum standards and rules to be set by DOR. DOR may also require certification of employees or agents conducting certain functions for the provider. The number of certified providers, and in turn DOR's workload, would depend on how DOR sets the standards for providers and the number of providers who apply for certification.

Local Government Impact

To the extent that the certification of third-party vendors leads to changes in sourcing for transactions, this would impact the amount of TPT collected by specific jurisdictions.

3/26/24

