

REFERENCE TITLE: TPT; sourcing; validation

State of Arizona  
House of Representatives  
Fifty-sixth Legislature  
Second Regular Session  
2024

## **HB 2382**

Introduced by  
Representatives Carter: Carbone, Cook, Heap, Hendrix, Livingston, Smith

AN ACT

AMENDING SECTIONS 42-5005 AND 42-5040, ARIZONA REVISED STATUTES; AMENDING TITLE 42, CHAPTER 5, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 42-5040.01; RELATING TO TRANSACTION PRIVILEGE TAX.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 42-5005, Arizona Revised Statutes, is amended to  
3 read:

4 42-5005. Transaction privilege tax and municipal privilege  
5 tax licenses; fees; renewal; revocation; taxpayer  
6 assistance; violation; classification

7 A. Every person who receives gross proceeds of sales or gross  
8 income on which a transaction privilege tax is imposed by this article and  
9 who desires to engage or continue in business shall apply to the  
10 department for an annual transaction privilege tax license accompanied by  
11 a fee of \$12. A person shall not engage or continue in business until the  
12 person has obtained a transaction privilege tax license.

13 B. A person desiring to engage or continue in business within a  
14 city or town that imposes a municipal privilege tax shall apply to the  
15 department ~~of revenue~~ for an annual municipal privilege tax license  
16 accompanied by a fee of up to \$50, as established by ordinance of the city  
17 or town. The person shall submit the fee with each new license  
18 application. The person may not engage or continue in business until the  
19 person has obtained a municipal privilege tax license. The department  
20 must collect, hold, pay and manage the fees in trust for the city or town  
21 and may not use the monies for any other purposes. The fee imposed by  
22 this subsection does not apply to a marketplace facilitator or remote  
23 seller that is only required to obtain a transaction privilege tax license  
24 pursuant to section 42-5043.

25 C. A transaction privilege tax license is valid only for the  
26 calendar year in which it is issued, but it may be renewed for the  
27 following calendar year. There is no fee for the renewal of the  
28 transaction privilege tax license. The transaction privilege tax license  
29 must be renewed at the same time and in the manner as the municipal  
30 privilege tax license renewal.

31 D. A municipal privilege tax license is valid only for the calendar  
32 year in which it is issued, but it may be renewed for the following  
33 calendar year by ~~the payment of~~ PAYING a license renewal fee of up to  
34 \$50. The renewal fee is due and payable on January 1 and is considered  
35 delinquent if not received on or before the last business day of  
36 January. The department must collect, hold, pay and manage the fees in  
37 trust for the city or town and may not use the monies for any other  
38 purposes. The renewal fee imposed by this subsection does not apply to a  
39 marketplace facilitator or remote seller that is only required to obtain a  
40 transaction privilege tax license pursuant to section 42-5043.

41 E. A licensee that remains in business after the municipal  
42 privilege tax license has expired is subject to the payment of the license  
43 renewal fee and the civil penalty prescribed in section 42-1125,  
44 subsection R.

1 F. If the applicant is not in arrears in payment of any tax imposed  
2 by this article, the department shall issue a license authorizing the  
3 applicant to engage and continue in business on the condition that the  
4 applicant complies with this article. The license number shall be  
5 continuous.

6 G. The transaction privilege tax license and the municipal  
7 privilege tax license are not transferable on a complete change of  
8 ownership or change of location of the business. For the purposes of this  
9 subsection:

10 1. "Location" means the business address appearing in the  
11 application for the license and on the transaction privilege tax or  
12 municipal privilege tax license.

13 2. "Ownership" means any right, title or interest in the business.

14 3. "Transferable" means the ability to convey or change the right  
15 or privilege to engage or continue in business by virtue of the issuance  
16 of the transaction privilege tax or municipal privilege tax license.

17 H. When the ownership or location of a business on which a  
18 transaction privilege tax or municipal privilege tax is imposed has been  
19 changed within the meaning of subsection G of this section, the licensee  
20 shall surrender the license to the department. The license shall be  
21 reissued to the new owners or for the new location on application by the  
22 taxpayer and payment of the \$12 fee for a transaction privilege tax  
23 license and a fee of up to \$50 per jurisdiction for a municipal privilege  
24 tax license. The department must collect, hold, pay and manage the fees  
25 in trust for the city or town and may not use the monies for any other  
26 purposes.

27 I. A person who is engaged in or conducting a business in two or  
28 more locations or under two or more business names shall procure a  
29 transaction privilege tax license for each location or business name  
30 regardless of whether all locations or business names are reported on a  
31 consolidated return under a single transaction privilege tax license  
32 number. This requirement shall not be construed as conflicting with  
33 section 42-5020.

34 J. A person who is engaged in or conducting a business in two or  
35 more locations or under two or more business names shall procure a  
36 municipal privilege tax license for each location or business name  
37 regardless of whether all locations or business names are reported on a  
38 consolidated return.

39 K. A person who is engaged in or conducting business at two or more  
40 locations or under two or more business names and who files a consolidated  
41 return under a single transaction privilege tax license number as provided  
42 by section 42-5020 is required to pay only a single municipal privilege  
43 tax license renewal fee for each local jurisdiction pursuant to subsection  
44 D of this section. A person who is engaged in or conducting business at  
45 two or more locations or under two or more business names and who does not  
46 file a consolidated return under a single license number is required to

1 pay a license renewal fee for each location or license in a local  
2 jurisdiction.

3 L. For the purposes of this chapter and chapter 6 of this title:

4 1. Through December 31, 2018, an online lodging marketplace, as  
5 defined in section 42-5076, may register with the department for a license  
6 for the payment of taxes levied by this state and one or more counties,  
7 cities, towns or special taxing districts, at the election of the online  
8 lodging marketplace, for taxes due from an online lodging operator on any  
9 online lodging transaction facilitated by the online lodging marketplace,  
10 subject to sections 42-5076 and 42-6009.

11 2. Beginning from and after December 31, 2018, an online lodging  
12 marketplace, as defined in section 42-5076, shall register with the  
13 department for a license for the payment of taxes levied by this state and  
14 one or more counties, cities, towns or special taxing districts for taxes  
15 due from an online lodging operator on any online lodging transaction  
16 facilitated by the online lodging marketplace, subject to sections 42-5076  
17 and 42-6009.

18 M. For the purposes of this chapter and chapter 6 of this title, a  
19 person who is licensed pursuant to title 32, chapter 20 and who files an  
20 electronic consolidated tax return for individual real properties under  
21 management on behalf of the property owners may be licensed with the  
22 department for the payment of taxes levied by this state and by any  
23 county, city or town with respect to those properties. There is no fee  
24 for a license issued pursuant to this subsection.

25 N. For the purposes of this chapter, a peer-to-peer car sharing  
26 program shall register with the department for a license for the payment  
27 of taxes levied by this state and one or more counties, cities, towns or  
28 special districts for taxes due from a shared vehicle owner on any shared  
29 vehicle transaction facilitated by the peer-to-peer car sharing program,  
30 subject to the limitations in section 28-9616. A peer-to-peer car sharing  
31 program shall remit the surcharges established pursuant to sections 5-839  
32 and 48-4234 only if the peer-to-peer car sharing program allows shared  
33 vehicle transactions that involve a vehicle for which the shared vehicle  
34 owner has not certified to the department pursuant to section 28-9616,  
35 subsection C that it is an individual-owned shared vehicle. For the  
36 purposes of this subsection, "individual-owned shared vehicle",  
37 "peer-to-peer car sharing program", "shared vehicle owner" and "shared  
38 vehicle transaction" have the same meanings prescribed in section 28-9601.

39 O. If a person violates this article or any rule adopted under this  
40 article, the department upon hearing may revoke any transaction privilege  
41 tax or municipal privilege tax license issued to the person. The  
42 department shall provide ten days' written notice of the hearing, stating  
43 the time and place and requiring the person to appear and show cause why  
44 the license or licenses should not be revoked. The department shall  
45 provide written notice to the person of the revocation of the license.  
46 The notices may be served personally or by mail pursuant to section

1 42-5037. After revocation, the department shall not issue a new license  
2 to the person unless the person presents evidence satisfactory to the  
3 department that the person will comply with this article and with the  
4 rules adopted under this article. The department may prescribe the terms  
5 under which a revoked license may be reissued.

6 P. The department may revoke any transaction privilege tax or  
7 municipal privilege tax license issued to any person who fails for  
8 thirteen consecutive months to make and file a return required by this  
9 article on or before the due date or the due date as extended by the  
10 department unless the failure is due to a reasonable cause and not due to  
11 wilful neglect.

12 Q. THE DEPARTMENT SHALL ESTABLISH AND MAINTAIN A TAXPAYER  
13 ASSISTANCE TEAM TO ENSURE TAXPAYERS ARE LEVYING THE CORRECT TRANSACTION  
14 PRIVILEGE TAX RATE AND SOURCING THE TRANSACTION TO THE CORRECT  
15 JURISDICTIONS. THE TEAM SHALL SELECT AT RANDOM A SAMPLE OF TRANSACTION  
16 PRIVILEGE TAX LICENSES AND MUNICIPAL PRIVILEGE TAX LICENSES TO VERIFY THAT  
17 THE BUSINESS LOCATION IDENTIFIED ON THE LICENSE CORRESPONDS TO THE  
18 TRANSACTION PRIVILEGE TAX RATE AND SOURCE OF THE TRANSACTION USED BY THE  
19 TAXPAYER. IF THE TEAM IDENTIFIES A TAXPAYER THAT IS NOT LEVYING THE  
20 CORRECT TRANSACTION PRIVILEGE TAX RATE OR IS NOT SOURCING THE TRANSACTION  
21 TO THE CORRECT JURISDICTION, THE TEAM SHALL NOTIFY THE TAXPAYER AND  
22 PROVIDE RESOURCES TO ASSIST THE TAXPAYER IN DETERMINING THE CORRECT RATE  
23 AND SOURCING INFORMATION FOR THAT TAXPAYER.

24 ~~R.~~ R. A person who violates any provision of this section is  
25 guilty of a class 3 misdemeanor.

26 Sec. 2. Section 42-5040, Arizona Revised Statutes, is amended to  
27 read:

28 42-5040. Sourcing of certain transactions involving tangible  
29 personal property; definitions

30 A. Except as provided in section 42-5075, retail sales of tangible  
31 personal property shall be sourced as follows:

32 1. To the seller's business location if the seller receives the  
33 order at a business location in this state AND THE SELLER REGULARLY  
34 CONDUCTS RETAIL SALES AT THAT BUSINESS LOCATION.

35 2. Except as provided in section 42-5008.01, to the purchaser's  
36 location in this state if the seller receives the order at a business  
37 location outside this state or, if there is no delivery address, to the  
38 purchaser's billing address.

39 B. A shared vehicle transaction shall be sourced as follows:

40 1. To the permanent street address of the registered shared vehicle  
41 owner if the shared vehicle is registered in this state.

42 2. To the street address in this state where the shared vehicle  
43 owner resides while in this state if the shared vehicle is registered in  
44 another state or country.

1           3. To the location of the shared vehicle at the car sharing start  
2 time if the shared vehicle owner does not reside in this state and the  
3 shared vehicle is registered in another state or country.

4           C. For the purposes of subsection A of this section, an order is  
5 received when all of the information necessary to accept the order has  
6 been received by or on behalf of the seller, regardless of where the order  
7 is accepted or approved. The place of business or residence of the  
8 purchaser does not determine where the order is received.

9           D. The gross receipts from leasing or renting tangible personal  
10 property shall be sourced as follows:

11           1. To the lessor's business location if the lessor has a business  
12 location in this state.

13           2. To the lessee's address if the lessor does not have a business  
14 location in this state or, if there is no lessee's address, to the  
15 lessee's billing address. The gross receipts are taxable when the  
16 property is shipped, delivered or otherwise brought into this state for  
17 use in this state.

18           E. For the purposes of this section:

19           1. "Car sharing start time" has the same meaning prescribed in  
20 section 28-9601.

21           2. "Lessee's address" means the residential address of an  
22 individual lessee and the primary business address of any other lessee.

23           3. "Lessor's business location" means the business address that  
24 appears on the lessor's transaction privilege tax license.

25           4. "Shared vehicle" has the same meaning prescribed in section  
26 28-9601.

27           5. "Shared vehicle owner" has the same meaning prescribed in  
28 section 28-9601.

29           6. "Shared vehicle transaction" has the same meaning prescribed in  
30 section 28-9601.

31           Sec. 3. Title 42, chapter 5, article 1, Arizona Revised Statutes,  
32 is amended by adding section 42-5040.01, to read:

33           42-5040.01. Sourcing of tangible personal property;  
34 third-party service providers; certification

35           A. BEGINNING ON OR BEFORE JANUARY 1, 2026, THE DEPARTMENT SHALL  
36 ESTABLISH A PROCESS BY WHICH A THIRD-PARTY PROVIDER THAT OFFERS SOURCING  
37 SERVICES TO TAXPAYERS FOR TRANSACTIONS INVOLVING TANGIBLE PERSONAL  
38 PROPERTY MAY BECOME CERTIFIED IN THIS STATE. A CERTIFIED THIRD-PARTY  
39 SERVICE PROVIDER SHALL MEET ALL OF THE REQUIREMENTS ESTABLISHED BY THE  
40 DEPARTMENT.

41           B. THE DIRECTOR SHALL:

42           1. SUPERVISE AND REGULATE ALL PERSONS REQUIRED BY THIS SECTION TO  
43 OBTAIN CERTIFICATION.

44           2. ESTABLISH MINIMUM STANDARDS FOR CERTIFICATION AND A QUALITY  
45 ASSURANCE PROGRAM FOR AUTHORIZED THIRD PARTIES TO ENSURE THAT A CERTIFIED  
46 THIRD-PARTY SERVICE PROVIDER IS COMPLYING WITH THE MINIMUM STANDARDS.

1           3. POST A LIST OF CERTIFIED THIRD-PARTY SERVICE PROVIDERS ON THE  
2 DEPARTMENT'S WEBSITE.

3           4. ADOPT RULES TO ADMINISTER AND ENFORCE THIS SECTION.

4           C. THE DIRECTOR MAY:

5           1. INVESTIGATE AND AUDIT THIRD-PARTY SERVICE PROVIDERS AS NECESSARY  
6 TO ENSURE COMPLIANCE WITH THIS SECTION.

7           2. REQUIRE THAT A CERTIFIED THIRD-PARTY SERVICE PROVIDER OR ANY  
8 EMPLOYEES OR AGENTS OF THE CERTIFIED THIRD-PARTY SERVICE PROVIDER BE  
9 CERTIFIED BY THE DEPARTMENT TO PERFORM CERTAIN FUNCTIONS.

10          D. A PERSON MAY APPLY TO THE DEPARTMENT TO BE A CERTIFIED  
11 THIRD-PARTY SERVICE PROVIDER ON A FORM PRESCRIBED AND FURNISHED BY THE  
12 DIRECTOR. THE PERSON SHALL INCLUDE WITH THE APPLICATION ALL DOCUMENTS AND  
13 FEES PRESCRIBED BY THE DIRECTOR. THE APPLICATION SHALL CONTAIN, AT A  
14 MINIMUM:

15          1. THE NAME, TELEPHONE NUMBER AND ADDRESS OF THE APPLICANT AND  
16 PRIMARY CONTACT PERSON.

17          2. VERIFICATION THAT THE APPLICANT MEETS THE REQUIREMENTS  
18 PRESCRIBED BY THE DIRECTOR.

19          3. OTHER INFORMATION THE DIRECTOR REQUIRES.

20          E. A TAXPAYER MAY USE A CERTIFIED THIRD-PARTY SERVICE PROVIDER TO  
21 ASSIST THE TAXPAYER IN SOURCING TRANSACTIONS INVOLVING TANGIBLE PERSONAL  
22 PROPERTY. A TAXPAYER THAT USES A CERTIFIED THIRD-PARTY PROVIDER FOR  
23 SOURCING TRANSACTIONS INVOLVING TANGIBLE PERSONAL PROPERTY IS NOT LIABLE  
24 FOR FAILING TO PAY THE CORRECT AMOUNT OF TAX DUE TO AN ERROR IN SOURCING  
25 THE TRANSACTION. THE TAXPAYER IS LIABLE FOR FAILING TO PAY THE CORRECT  
26 AMOUNT OF TAX IF THE FAILURE TO PAY THE CORRECT AMOUNT OF TAX WAS DUE TO  
27 AN ERROR OTHER THAN AN ERROR IN SOURCING THE TRANSACTION.

28          Sec. 4. Department of revenue; taxpayer education campaign;  
29 report

30          A. On or before December 31, 2024, the department of revenue shall  
31 conduct a taxpayer education campaign to educate and obtain feedback from  
32 remote sellers and marketplace facilitators as defined in section 42-5001,  
33 Arizona Revised Statutes, and other transaction privilege tax license  
34 holders located in unincorporated areas of a county on issues related to  
35 the correct use of transaction privilege tax rates and transaction  
36 sourcing methods.

37          B. On or before March 31, 2025, the department of revenue shall  
38 submit a report on the taxpayer education campaign and the feedback the  
39 department received during the campaign to the governor, president of the  
40 senate and the speaker of the house of representatives and shall provide a  
41 copy of this report to the secretary of state.