

REFERENCE TITLE: TPT; state revenues; distribution; HURF

State of Arizona
House of Representatives
Fifty-seventh Legislature
First Regular Session
2025

HB 2754

Introduced by
Representative Carter N

AN ACT

AMENDING SECTIONS 28-6501 AND 42-5029, ARIZONA REVISED STATUTES; AMENDING
TITLE 42, CHAPTER 5, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING
SECTION 42-5030.02; RELATING TO TRANSACTION PRIVILEGE AND USE TAX.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

Section 1. Section 28-6501, Arizona Revised Statutes, is amended to read:

28-6501. Definition of highway user revenues

In this article, unless the context otherwise requires or except as otherwise provided by statute, "highway user revenues" means:

1. All monies received in this state from licenses, taxes, penalties, interest and fees authorized by the following:

~~1.~~ (a) Chapters 2, 7, 8 and 15 of this title, except for:

~~(a)~~ (i) The special plate administration fees prescribed in sections 28-2404, 28-2407, 28-2412 through 28-2470.26 and 28-2514.

~~(b)~~ (ii) The donations prescribed in sections 28-2404, 28-2407, 28-2412 through 28-2415, 28-2417 through 28-2470.26, 28-2473, 28-2474, 28-2475 and 28-2476.

~~2.~~ (b) Section 28-1177.

~~3.~~ (c) Chapters 10 and 11 of this title.

~~4.~~ (d) Chapter 16, articles 1, 2 and 4 of this title, except as provided in sections 28-5926 and 28-5927.

2. MONIES TRANSFERRED PURSUANT TO SECTION 42-5030.02.

Sec. 2. Section 42-5029, Arizona Revised Statutes, is amended to read:

42-5029. Remission and distribution of monies; withholding; definition

A. The department shall deposit, pursuant to sections 35-146 and 35-147, all revenues collected under this article and articles 4, 5 and 8 of this chapter pursuant to section 42-1116, separately accounting for:

1. Payments of estimated tax under section 42-5014, subsection D.

2. Revenues collected pursuant to section 42-5070.

3. Revenues collected under this article and article 5 of this chapter from and after June 30, 2000 from sources located on Indian reservations in this state.

4. Revenues collected pursuant to section 42-5010, subsection G and section 42-5155, subsection D.

5. Revenues collected pursuant to section 42-5010.01 and section 42-5155, subsection E.

6. Revenues collected pursuant to section 42-5061 from a remote seller.

B. The department shall credit payments of estimated tax to an estimated tax clearing account and each month shall transfer all monies in the estimated tax clearing account to a fund designated as the transaction privilege and severance tax clearing account. The department shall credit all other payments to the transaction privilege and severance tax clearing account, separately accounting for the monies designated as distribution base under sections 42-5010, 42-5164 and 42-5205. Each month the department shall report to the state treasurer the amount of monies

1 collected pursuant to this article and articles 4, 5 and 8 of this
2 chapter.

3 C. On notification by the department, the state treasurer shall
4 distribute the monies deposited in the transaction privilege and severance
5 tax clearing account in the manner prescribed by this section and by
6 sections 42-5164 and 42-5205, after deducting warrants drawn against the
7 account pursuant to sections 42-1118 and 42-1254.

8 D. Of the monies designated as distribution base, the department
9 shall:

10 1. Pay twenty-five percent to the various incorporated
11 municipalities in this state in proportion to their population to be used
12 by the municipalities for any municipal purpose, except a municipality
13 shall use monies paid from revenues separately accounted for pursuant to
14 subsection A, paragraph 6 of this section and paid pursuant to this
15 paragraph for public safety before any other municipal purpose.

16 2. Pay 38.08 percent to the counties in this state by averaging the
17 following proportions:

18 (a) The proportion that the population of each county bears to the
19 total state population.

20 (b) The proportion that the distribution base monies collected
21 during the calendar month in each county under this article, section
22 42-5164, subsection B and section 42-5205, subsection B bear to the total
23 distribution base monies collected under this article, section 42-5164,
24 subsection B and section 42-5205, subsection B throughout ~~the~~ THIS state
25 for the calendar month.

26 3. Pay an additional 2.43 percent to the counties in this state as
27 follows:

28 (a) Average the following proportions:

29 (i) The proportion that the assessed valuation used to determine
30 secondary property taxes of each county, after deducting that part of the
31 assessed valuation that is exempt from taxation at the beginning of the
32 month for which the amount is to be paid, bears to the total assessed
33 valuations used to determine secondary property taxes of all the counties
34 after deducting that portion of the assessed valuations that is exempt
35 from taxation at the beginning of the month for which the amount is to be
36 paid. Property of a city or town that is not within or contiguous to the
37 municipal corporate boundaries and from which water is or may be withdrawn
38 or diverted and transported for use on other property is considered to be
39 taxable property in the county for purposes of determining assessed
40 valuation in the county under this item.

41 (ii) The proportion that the distribution base monies collected
42 during the calendar month in each county under this article, section
43 42-5164, subsection B and section 42-5205, subsection B bear to the total
44 distribution base monies collected under this article, section 42-5164,

subsection B and section 42-5205, subsection B throughout this state for the calendar month.

(b) If the proportion computed under subdivision (a) of this paragraph for any county is greater than the proportion computed under paragraph 2 of this subsection, the department shall compute the difference between the amount distributed to that county under paragraph 2 of this subsection and the amount that would have been distributed under paragraph 2 of this subsection using the proportion computed under subdivision (a) of this paragraph and shall pay that difference to the county from the amount available for distribution under this paragraph. Any monies remaining after all payments under this subdivision shall be distributed among the counties according to the proportions computed under paragraph 2 of this subsection.

4. After any distributions required by sections 42-5030, 42-5030.01, 42-5031, 42-5032, 42-5032.01 and 42-5032.02, and after making any transfer to the water quality assurance revolving fund as required by section 49-282, subsection B, credit the remainder of the monies designated as distribution base to the state general fund. From this amount the legislature shall annually appropriate to:

(a) The department of revenue, sufficient monies to administer and enforce this article and articles 5 and 8 of this chapter.

(b) The department of economic security, monies to be used for the purposes stated in title 46, chapter 1.

(c) The firearms safety and ranges fund established by section 17-273, \$50,000 derived from the taxes collected from the retail classification pursuant to section 42-5061 for the current fiscal year.

E. If approved by the qualified electors voting at a statewide general election, all monies collected pursuant to section 42-5010, subsection G and section 42-5155, subsection D shall be distributed each fiscal year pursuant to this subsection. The monies distributed pursuant to this subsection are in addition to any other appropriation, transfer or other allocation of public or private monies from any other source and shall not supplant, replace or cause a reduction in other school district, charter school, university or community college funding sources. The monies shall be distributed as follows:

1. If there are outstanding state school facilities revenue bonds pursuant to title 15, chapter 16, article 7, each month one-twelfth of the amount that is necessary to pay the fiscal year's debt service on outstanding state school improvement revenue bonds for the current fiscal year shall be transferred each month to the school improvement revenue bond debt service fund established by section 15-2084. The total amount of bonds for which these monies may be allocated for the payment of debt service shall not exceed a principal amount of eight hundred million dollars exclusive of refunding bonds and other refinancing obligations.

2. After any transfer of monies pursuant to paragraph 1 of this subsection, twelve per cent of the remaining monies collected during the preceding month shall be transferred to the technology and research initiative fund established by section 15-1648 to be distributed among the universities for the purpose of investment in technology and research-based initiatives.

3. After the transfer of monies pursuant to paragraph 1 of this subsection, three per cent of the remaining monies collected during the preceding month shall be transferred to the workforce development account established in each community college district pursuant to section 15-1472 for the purpose of investment in workforce development programs.

4. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, one-twelfth of the amount a community college that is owned, operated or chartered by a qualifying Indian tribe on its own Indian reservation would receive pursuant to section 15-1472, subsection D, paragraph 2 if it were a community college district shall be distributed each month to the treasurer or other designated depository of a qualifying Indian tribe. Monies distributed pursuant to this paragraph are for the exclusive purpose of providing support to one or more community colleges owned, operated or chartered by a qualifying Indian tribe and shall be used in a manner consistent with section 15-1472, subsection B. For the purposes of this paragraph, "qualifying Indian tribe" has the same meaning as defined in section 42-5031.01, subsection D.

5. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, one-twelfth of the following amounts shall be transferred each month to the department of education for the increased cost of basic state aid under section 15-971 due to added school days and associated teacher salary increases enacted in 2000:

- (a) In fiscal year 2001-2002, \$15,305,900.
- (b) In fiscal year 2002-2003, \$31,530,100.
- (c) In fiscal year 2003-2004, \$48,727,700.
- (d) In fiscal year 2004-2005, \$66,957,200.
- (e) In fiscal year 2005-2006 and each fiscal year thereafter, \$86,280,500.

6. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, seven million eight hundred thousand dollars is appropriated each fiscal year, to be paid in monthly installments, to the department of education to be used for school safety as provided in section 15-154 and two hundred thousand dollars is appropriated each fiscal year, to be paid in monthly installments to the department of education to be used for the character education matching grant program as provided in section 15-154.01.

7. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, no more than seven million dollars may be appropriated by

1 the legislature each fiscal year to the department of education to be used
2 for accountability purposes as described in section 15-241 and title 15,
3 chapter 9, article 8.

4 8. After transferring monies pursuant to paragraphs 1, 2 and 3 of
5 this subsection, one million five hundred thousand dollars is appropriated
6 each fiscal year, to be paid in monthly installments, to the failing
7 schools tutoring fund established by section 15-241.

8 9. After transferring monies pursuant to paragraphs 1, 2 and 3 of
9 this subsection, twenty-five million dollars shall be transferred each
10 fiscal year to the state general fund to reimburse the general fund for
11 the cost of the income tax credit allowed by section 43-1072.01.

12 10. After the payment of monies pursuant to paragraphs 1 through 9
13 of this subsection, the remaining monies collected during the preceding
14 month shall be transferred to the classroom site fund established by
15 section 15-977. The monies shall be allocated as follows in the manner
16 prescribed by section 15-977:

17 (a) Forty per cent shall be allocated for teacher compensation
18 based on performance.

19 (b) Twenty per cent shall be allocated for increases in teacher
20 base compensation and employee related expenses.

21 (c) Forty per cent shall be allocated for maintenance and operation
22 purposes.

23 F. The department shall credit the remainder of the monies in the
24 transaction privilege and severance tax clearing account to the state
25 general fund, subject to any distribution required by section 42-5030.01
26 AND THE DISTRIBUTION REQUIRED BY SECTION 42-5030.02.

27 G. Notwithstanding subsection D of this section, if a court of
28 competent jurisdiction finally determines that tax monies distributed
29 under this section were illegally collected under this article or articles
30 5 and 8 of this chapter and orders the monies to be refunded to the
31 taxpayer, the department shall compute the amount of such monies that was
32 distributed to each city, town and county under this section. Each
33 city's, town's and county's proportionate share of the costs shall be
34 based on the amount of the original tax payment each municipality and
35 county received. Each month the state treasurer shall reduce the amount
36 otherwise distributable to the city, town and county under this section by
37 1/36 of the total amount to be recovered from the city, town or county
38 until the total amount has been recovered, but the monthly reduction for
39 any city, town or county shall not exceed ten percent of the full monthly
40 distribution to that entity. The reduction shall begin for the first
41 calendar month after the final disposition of the case and shall continue
42 until the total amount, including interest and costs, has been recovered.

43 H. On receiving a certificate of default from the greater Arizona
44 development authority pursuant to section 41-2257 or 41-2258 and to the
45 extent not otherwise expressly prohibited by law, the state treasurer

1 shall withhold from the next succeeding distribution of monies pursuant to
2 this section due to the defaulting political subdivision the amount
3 specified in the certificate of default and immediately deposit the amount
4 withheld in the greater Arizona development authority revolving fund. The
5 state treasurer shall continue to withhold and deposit the monies until
6 the greater Arizona development authority certifies to the state treasurer
7 that the default has been cured. In no event may the state treasurer
8 withhold any amount that the defaulting political subdivision certifies to
9 the state treasurer and the authority as being necessary to make any
10 required deposits then due for the payment of principal and interest on
11 bonds of the political subdivision that were issued before the date of the
12 loan repayment agreement or bonds and that have been secured by a pledge
13 of distributions made pursuant to this section.

14 I. Except as provided by sections 42-5033 and 42-5033.01, the
15 population of a county, city or town as determined by the most recent
16 United States decennial census plus any revisions to the decennial census
17 certified by the United States bureau of the census shall be used as the
18 basis for apportioning monies pursuant to subsection D of this section.

19 J. Except as otherwise provided by this subsection, on notice from
20 the department of revenue pursuant to section 42-6010, subsection B, the
21 state treasurer shall withhold from the distribution of monies pursuant to
22 this section to the affected city or town the amount of the penalty for
23 business location municipal tax incentives provided by the city or town to
24 a business entity that locates a retail business facility in the city or
25 town. The state treasurer shall continue to withhold monies pursuant to
26 this subsection until the entire amount of the penalty has been withheld.
27 The state treasurer shall credit any monies withheld pursuant to this
28 subsection to the state general fund as provided by subsection D,
29 paragraph 4 of this section. The state treasurer shall not withhold any
30 amount that the city or town certifies to the department of revenue and
31 the state treasurer as being necessary to make any required deposits or
32 payments for debt service on bonds or other long-term obligations of the
33 city or town that were issued or incurred before the location incentives
34 provided by the city or town.

35 K. On notice from the auditor general pursuant to section 9-626,
36 subsection D, the state treasurer shall withhold from the distribution of
37 monies pursuant to this section to the affected city the amount computed
38 pursuant to section 9-626, subsection D. The state treasurer shall
39 continue to withhold monies pursuant to this subsection until the entire
40 amount specified in the notice has been withheld. The state treasurer
41 shall credit any monies withheld pursuant to this subsection to the state
42 general fund as provided by subsection D, paragraph 4 of this section.

43 L. Except as otherwise provided by this subsection, on notice from
44 the attorney general pursuant to section 41-194.01, subsection B,
45 paragraph 1 that an ordinance, regulation, order or other official action

1 adopted or taken by the governing body of a county, city or town violates
2 state law or the Constitution of Arizona, the state treasurer shall
3 withhold the distribution of monies pursuant to this section to the
4 affected county, city or town and shall continue to withhold monies
5 pursuant to this subsection until the attorney general certifies to the
6 state treasurer that the violation has been resolved. The state treasurer
7 shall redistribute the monies withheld pursuant to this subsection among
8 all other counties, cities and towns in proportion to their population as
9 provided by subsection D of this section. The state treasurer shall not
10 withhold any amount that the county, city or town certifies to the
11 attorney general and the state treasurer as being necessary to make any
12 required deposits or payments for debt service on bonds or other long-term
13 obligations of the county, city or town that were issued or incurred
14 before committing the violation.

15 M. For the purposes of this section, "community college district"
16 means a community college district that is established pursuant to
17 sections 15-1402 and 15-1403 and that is a political subdivision of this
18 state and, unless otherwise specified, includes a community college
19 tuition financing district established pursuant to section 15-1409.

20 Sec. 3. Title 42, chapter 5, article 1, Arizona Revised Statutes,
21 is amended by adding section 42-5030.02, to read:

22 42-5030.02. Distribution of revenues to Arizona highway user
23 revenue fund

24 EACH MONTH THE STATE TREASURER SHALL TRANSFER TO THE ARIZONA HIGHWAY
25 USER REVENUE FUND ESTABLISHED PURSUANT TO SECTION 28-6533 AN AMOUNT EQUAL
26 TO FIVE PERCENT OF THE STATE GENERAL FUND REVENUES THAT WERE COLLECTED
27 PURSUANT TO THIS CHAPTER FOR DISTRIBUTION PURSUANT TO TITLE 28,
28 CHAPTER 18.

29 Sec. 4. Applicability

30 This act applies to taxable periods beginning on or after the first
31 day of the month following the general effective date.