

REFERENCE TITLE: local excise taxes; rate limit

State of Arizona  
Senate  
Fifty-seventh Legislature  
Second Regular Session  
2026

# **SB 1745**

Introduced by  
Senator Hoffman

AN ACT

AMENDING TITLE 9, CHAPTER 4, ARTICLE 8, ARIZONA REVISED STATUTES, BY  
ADDING SECTION 9-500.54; RELATING TO LOCAL EXCISE TAXES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Title 9, chapter 4, article 8, Arizona Revised Statutes,  
3 is amended by adding section 9-500.54, to read:

4 9-500.54. Municipal transaction privilege tax and excise tax;  
5 rates; limit; voter approval; state share revenue  
6 withholding; applicability; definitions

7 A. NOTWITHSTANDING ANY OTHER LAW, ORDINANCE, CHARTER PROVISION,  
8 RESOLUTION OR SPECIAL ACT, A CITY OR TOWN WITH A POPULATION OF FIVE  
9 HUNDRED FIFTY THOUSAND OR MORE PERSONS MAY NOT LEVY OR ASSESS A  
10 TRANSACTION PRIVILEGE TAX OR EXCISE TAX THAT IS IMPOSED PURSUANT TO THIS  
11 CHAPTER AT A RATE OF MORE THAN TWO AND ONE-HALF PERCENT ON ANY TRANSACTION  
12 PRIVILEGE TAX CLASSIFICATION.

13 B. EXCEPT AS PROVIDED IN SUBSECTION D OF THIS SECTION, THE TAX RATE  
14 LIMIT PRESCRIBED BY SUBSECTION A OF THIS SECTION APPLIES SEPARATELY TO  
15 EACH TRANSACTION PRIVILEGE TAX CLASSIFICATION, REGARDLESS OF THE NUMBER OF  
16 CLASSIFICATIONS, COMPONENTS OR ORDINANCES UNDER WHICH THE TRANSACTION  
17 PRIVILEGE TAX OR EXCISE TAX IS IMPOSED.

18 C. A CITY OR TOWN MAY NOT ADOPT A NEW TRANSACTION PRIVILEGE TAX OR  
19 EXCISE TAX, INCREASE AN EXISTING TAX RATE, EXPAND A TAX BASE OR IMPOSE A  
20 SURCHARGE IF DOING SO WOULD CAUSE THE TAX RATE IMPOSED ON ANY TRANSACTION  
21 PRIVILEGE TAX CLASSIFICATION TO EXCEED THE LIMIT PRESCRIBED BY SUBSECTION  
22 A OF THIS SECTION UNLESS THE NEW TRANSACTION PRIVILEGE TAX OR EXCISE TAX  
23 IS APPROVED PURSUANT TO SUBSECTION D OF THIS SECTION.

24 D. NOTWITHSTANDING ANY OTHER LAW, ORDINANCE, CHARTER PROVISION,  
25 RESOLUTION OR SPECIAL ACT, A CITY OR TOWN SHALL SUBMIT ANY PROPOSED  
26 INCREASE IN A TRANSACTION PRIVILEGE TAX OR EXCISE TAX TO THE QUALIFIED  
27 ELECTORS OF THE CITY OR TOWN. A TRANSACTION PRIVILEGE TAX OR EXCISE TAX  
28 THAT IS APPROVED BY THE QUALIFIED ELECTORS OF A CITY OR TOWN IS NOT  
29 SUBJECT TO THE LIMIT PRESCRIBED IN SUBSECTION A OF THIS SECTION IF THE  
30 VOTER-APPROVED INCREASE OCCURS AT AN ELECTION THAT IS CONDUCTED ON A  
31 CONSOLIDATED ELECTION DATE IN AN EVEN-NUMBER YEAR AS PRESCRIBED BY SECTION  
32 16-204. THIS SUBSECTION APPLIES TO A TRANSACTION PRIVILEGE TAX OR EXCISE  
33 TAX THAT IS APPROVED BY THE QUALIFIED ELECTORS OF A CITY OR TOWN ON OR  
34 AFTER THE EFFECTIVE DATE OF THIS SECTION.

35 E. A TRANSACTION PRIVILEGE TAX OR EXCISE TAX IMPOSED PURSUANT TO  
36 TITLE 42, CHAPTER 6 THAT WAS APPROVED BY THE QUALIFIED ELECTORS OF A CITY  
37 OR TOWN IS NOT INVALIDATED BY THIS SECTION.

38 F. A CITY OR TOWN THAT VIOLATES THIS SECTION IS SUBJECT TO  
39 ENFORCEMENT PURSUANT TO SECTION 41-194.01. IF A CITY OR TOWN IS FOUND TO  
40 BE IN VIOLATION OF THIS SECTION, THE ATTORNEY GENERAL SHALL NOTIFY THE  
41 STATE TREASURER AS PRESCRIBED BY SECTION 41-194.01, SUBSECTION B,  
42 PARAGRAPH 1. THE STATE TREASURER SHALL WITHHOLD STATE SHARED REVENUES  
43 FROM THE CITY OR TOWN IN AN AMOUNT THAT IS PROPORTIONATE TO THE  
44 UNAUTHORIZED TAX INCREASE UNTIL THE VIOLATION OF THIS SECTION IS RESOLVED.

45 G. THIS SECTION DOES NOT APPLY TO AD VALOREM PROPERTY TAXES.

1 H. FOR THE PURPOSES OF THIS SECTION:

2 1. "EXCISE TAX" MEANS ANY TAX THAT IS IMPOSED UNDER TITLE 42,  
3 CHAPTER 6 AND THAT IS MEASURED BY THE PRIVILEGE OF ENGAGING IN A  
4 TRANSACTION OR ACTIVITY.

5 2. "TRANSACTION PRIVILEGE TAX CLASSIFICATION" MEANS A TRANSACTION  
6 PRIVILEGE CLASSIFICATION THAT IS ESTABLISHED PURSUANT TO TITLE 42, CHAPTER  
7 5, ARTICLE 2.