REFERENCE TITLE: 2026-2027; revenue

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

SB 1844

Introduced by
Senators Farnsworth: Kavanagh (with permission of Committee on Rules)

AN ACT

AMENDING SECTION 42-5041, ARIZONA REVISED STATUTES; RELATING TO TAXATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

Section 1. Section 42-5041, Arizona Revised Statutes, is amended to read:

42-5041. Assessment of fees; integrated tax system modernization project; fund

A. From and after June 30, 2022 through June 30, ~~2028~~ 2029, the department shall assess and collect fees from counties, cities, towns, councils of governments and regional transportation authorities as determined by the director and as provided by this section to implement an integrated tax system modernization project at the department.

B. From and after June 30, 2022 through June 30, ~~2028~~ 2029, a fee is assessed to each county, city and town that receives state shared revenues pursuant to section 42-5029 or 43-206, to each council of governments that receives revenues pursuant to ~~section~~ SECTIONS 42-6105 AND 42-6105.01 and to each regional transportation authority located in a county with a population of more than eight hundred thousand persons that receives revenues pursuant to section 42-6106.

C. The department shall assess the fees under ~~subsection~~ SUBSECTIONS A and B of this section not later than October 31 each year, and the fees are payable immediately on assessment. If a county, city, town, council of governments or regional transportation authority fails to pay the fees in full on or before December 31, the department shall notify the state treasurer who shall withhold the delinquent amount from the distribution of monies to the affected county, city or town pursuant to sections 42-5029 and 43-206, from the distribution of monies to the affected council of governments pursuant to ~~section~~ SECTIONS 42-6105 AND 42-6105.01 and from the distribution of monies to the affected regional transportation authority pursuant to section 42-6106, and who shall continue to withhold monies until the entire amount of the assessment has been satisfied.

D. Counties, cities and towns may meet their cost sharing obligation from any source of county, city or town revenue designated by the appropriate county, city or town. The county sources may include monies of any countywide special taxing jurisdiction in which the board of supervisors serves as the board of directors.

E. From and after June 30, 2022 through June 30, ~~2028~~ 2029, pursuant to section 42-5029.02, the department shall transfer an amount from monies collected pursuant to section 42-5010.01 and section 42-5155, subsection E as determined by the director to implement the integrated tax system modernization project at the department. The amount transferred pursuant to this subsection shall be the actual reasonable costs incurred by the department for integrated tax system modernization upgrades related to the taxes authorized and levied pursuant to section 42-5010.01 and section 42-5155, subsection E.

F. From and after June 30, 2022 through June 30, ~~2028~~ 2029, pursuant to section 36-2856, subsection B, paragraph 2, the state treasurer shall transfer an amount from monies collected pursuant to section 42-5452 as determined by the director to implement the integrated tax system modernization project at the department. The amount transferred pursuant to this subsection shall be the actual reasonable costs incurred by the department for integrated tax system modernization upgrades related to the tax authorized and levied by section 42-5452.

G. All monies paid to the department or withheld by the state treasurer for the fees assessed pursuant to subsection B of this section or transferred pursuant to subsections E and F of this section shall be credited to the department of revenue integrated tax system project fund established by subsection H of this section.

H. The department of revenue integrated tax system project fund is established consisting of monies deposited IN or transferred to the fund pursuant to this section. The director shall administer the fund. Monies in the fund are subject to legislative appropriation. The director shall use monies in the fund solely for the administrative, development and other operating costs incurred in implementing the integrated tax system modernization project at the department.

Sec. 2. Legislative intent

The legislature intends:

1. That in fiscal year 2026-2027 the fee prescribed in section 42-5041, subsection B, Arizona Revised Statutes, as amended by this act, be assessed and collected pursuant to the following guidelines:

(a) The total amount of fees for all counties, cities, towns, councils of governments and regional transportation authorities may not exceed $6,286,300 in fiscal year 2026-2027.

(b) The share of fees assessed to all counties pursuant to subdivision (a) of this paragraph shall be in proportion to the aggregate amount of monies distributed to counties for the fiscal year two years preceding the current fiscal year pursuant to sections 42-5029, 42-6103, 42-6107, 42-6108, 42-6108.01, 42-6109, 42-6109.01, 42-6110, 42-6111 and 42-6112, Arizona Revised Statutes, as a percentage of aggregate distributions to all counties, cities, towns, councils of governments and regional transportation authorities located in a county with a population of more than eight hundred thousand persons for the fiscal year two years preceding the current fiscal year pursuant to sections 42-5029, 42-6001, 42-6103, 42-6105, 42-6105.01, 42-6106, 42-6107, 42-6108, 42-6108.01, 42-6109, 42-6109.01, 42-6110, 42-6111, 42-6112 and 43-206, Arizona Revised Statutes.

(c) The share of fees assessed to all cities and towns pursuant to subdivision (a) of this paragraph shall be in proportion to the aggregate amount of monies distributed to cities and towns for the fiscal year two years preceding the current fiscal year pursuant to sections 42-5029, 42-6001 and 43-206, Arizona Revised Statutes, as a percentage of aggregate distributions to all counties, cities, towns, councils of governments and regional transportation authorities located in a county with a population of more than eight hundred thousand persons for the fiscal year two years preceding the current fiscal year pursuant to sections 42-5029, 42-6001, 42-6103, 42-6105, 42-6105.01, 42-6106, 42-6107, 42-6108, 42-6108.01, 42-6109, 42-6109.01, 42-6110, 42-6111, 42-6112 and 43-206, Arizona Revised Statutes.

(d) The share of fees assessed to all councils of governments pursuant to subdivision (a) of this paragraph shall be in proportion to the aggregate amount of monies distributed to all councils of governments for the fiscal year two years preceding the current fiscal year pursuant to section 42-6105, Arizona Revised Statutes, as a percentage of aggregate distributions to all counties, cities, towns, councils of governments and regional transportation authorities located in a county with a population of more than eight hundred thousand persons for the fiscal year two years preceding the current fiscal year pursuant to sections 42-5029, 42-6001, 42-6103, 42-6105, 42-6105.01, 42-6106, 42-6107, 42-6108, 42-6108.01, 42-6109, 42-6109.01, 42-6110, 42-6111, 42-6112 and 43-206, Arizona Revised Statutes.

(e) The share of fees assessed to all regional transportation authorities located in a county with a population of more than eight hundred thousand persons pursuant to subdivision (a) of this paragraph shall be in proportion to the aggregate amount of monies distributed to all regional transportation authorities located in a county with a population of more than eight hundred thousand persons for the fiscal year two years preceding the current fiscal year pursuant to section 42-6106, Arizona Revised Statutes, as a percentage of aggregate distributions to all counties, cities, towns, councils of governments and regional transportation authorities located in a county with a population of more than eight hundred thousand persons for the fiscal year two years preceding the current fiscal year pursuant to sections 42-5029, 42-6001, 42-6103, 42-6105, 42-6105.01, 42-6106, 42-6107, 42-6108, 42-6108.01, 42-6109, 42-6109.01, 42-6110, 42-6111, 42-6112 and 43-206, Arizona Revised Statutes.

(f) Except as provided by sections 42-5033 and 42-5033.01, Arizona Revised Statutes, the population of a county as determined by the most recent United States decennial census plus any revision to the decennial census certified by the United States census bureau shall be used as the basis for apportioning monies pursuant to subdivision (b) of this paragraph.

(g) Except as provided by sections 42-5033 and 42-5033.01, Arizona Revised Statutes, the population of a city or town as determined by the most recent United States decennial census plus any revision to the decennial census certified by the United States census bureau shall be used as the basis for apportioning monies pursuant to subdivision (c) of this paragraph.

2. That in fiscal year 2026-2027 the transfer prescribed in section 42-5041, subsection E, Arizona Revised Statutes, as amended by this act, not exceed $762,300.

3. That in fiscal year 2026-2027 the transfer prescribed in section 42-5041, subsection F, Arizona Revised Statutes, as amended by this act, not exceed $169,800.

4. That in fiscal year 2026-2027, the aggregate amount of monies distributed pursuant to sections 42-6105 and 42-6105.01, Arizona Revised Statutes, is the aggregate amount of monies distributed during fiscal years 2024-2025 and 2025-2026 pursuant to section 42-6105, Arizona Revised Statutes, and the aggregate amount of monies distributed during fiscal year 2025-2026 pursuant to section 42-6105.01, Arizona Revised Statutes.

5. That in fiscal year 2027-2028, the aggregate amount of monies distributed pursuant to sections 42-6105 and 42-6105.01, Arizona Revised Statutes, is the aggregate amount of monies distributed during fiscal year 2025-2026 pursuant to section 42-6105, Arizona Revised Statutes, and the aggregate amount of monies distributed during fiscal years 2025-2026 and 2026-2027 pursuant to section 42-6105.01, Arizona Revised Statutes.