



NEWS RELEASE

Arizona State Legislature

Representative Michelle Ugenti-Rita (R-23)

Senator David Farnsworth (R-16)

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FOR IMMEDIATE RELEASE

Business Community Rallies Around Legislative Recommendations of Ad Hoc Committee on Digital Goods and Services

STATE CAPITOL, PHOENIX – Representative Michelle Ugenti-Rita (R-23) and Senator David Farnsworth (R-16) today praised the legislative recommendations of the Joint Ad Hoc Committee on the Tax Treatment of Digital Goods and Services.

The Committee, which was co-chaired by Representative Ugenti-Rita and Senator Farnsworth, recommends that the Legislature consider legislation in 2018 that will:

- Create and/or update relevant statutory definitions to include “prewritten software,” “digital goods,” and any related terms;
- Determine which digital goods and services (perpetual and non-perpetual right of use) are exempt from tax consideration;
- Determine which digital goods and services (perpetual and non-perpetual right of use) are taxable and which current Department of Revenue classification they are taxable under (excluding the rental classification);
- Provide uniformity in state and local tax treatment of digital goods and services; and
- Clarify the sourcing and nexus for the new statutory definitions.

A partial list of associations and businesses that support the recommendations of the Joint Ad Hoc Committee on the Taxation of Digital Goods and Services include the Arizona Tax Research Association, Arizona Chamber of Commerce & Industry, Phoenix Chamber of Commerce, National Federation of Independent Business, CenturyLink, APS, University of Phoenix, GoDaddy, Freeport-McMoRan, Arizona Retailers Association, and the Semiconductor Industry Association.

“After listening to concerns from the business community and other stakeholders, the committee has put together recommendations that provide much needed clarity to those who do business in the state and ensure that they aren’t put at a competitive

disadvantage,” said Representative Ugenti-Rita. “Not only will these recommendations increase taxpayer compliance and alleviate administrative burdens, but they will also foster continued growth in Arizona’s technology economy. That’s why there’s such a long list of Arizona businesses supporting the committee’s work.”

“Electronic commerce and the digital economy have rapidly transformed the way our nation does business and Arizona’s tax statutes have not kept pace,” said Senator Farnsworth. “As lawmakers, we need to ensure that Arizona has a modern tax environment that is predictable, transparent and fair for all taxpayers. The recommendations of this committee are an excellent start to achieving this goal.”

“The issues tackled by this committee weren’t easy, but they are necessary to keep Arizona’s economy on pace with technological advances,” said House Speaker J.D. Mesnard (R-17). “I thank the committee for their work and recommendations, and I look forward to House discussion of these issues next year.”

“Through presentations by staff, subject-matter experts, public testimony and Committee discussions, we have had the opportunity to gain a considerable understanding of our state’s current policy and regulatory framework for the tax treatment of digital goods and services,” said President Steve Yarbrough (R-17). “I look forward to working with the Governor, the House and my fellow Senators to pass legislation on this important issue.”

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