ARIZONA STATE SENATE
Fiftieth Legislature, Second Regular Session

FACT SHEET FOR H.B. 2629

<u>use tax; individuals; repeal</u>

<u>Purpose</u>

Provides certain exemptions from use tax and repeals the requirement to declare the annual amount of use tax due on an individual's income tax form.

<u>Background</u>

The use tax is assessed on items purchased in other states and brought into Arizona for storage, use or consumption, and for which no tax (or tax at a lesser rate) has been paid in another state. The use tax serves to protect Arizona retailers from out-of-state competition by attempting to ensure that in-state and out-of-state purchases are taxed at an equal rate.

The use tax is due, for example, when an Arizona resident purchases goods over the Internet from an out-of-state retailer and has the item delivered to this state. In practice, the use tax is primarily paid by businesses. Individuals are also liable for the use tax but rarely pay it, because individuals are often unaware of the tax or are unwilling to "voluntarily" report a taxable transaction.

In 2011, the Legislature required a person who stores, uses or consumes tangible personal property that is subject to use tax for a nonbusiness purpose to declare the annual amount of tax due on that person's income tax return, if that article was used for a non-business purpose and the tax was not collected by a registered retailer. H.B. 2629 repeals that legislation.

A fiscal note has been requested.

<u>Provisions</u>

1. Exempts a resident of this state from payment of the use tax unless that property is a motor vehicle or watercraft or the property is used in conducting business in this state.

2. Repeals the requirement of an individual to declare the annual amount of use tax due on the individual's income tax form.

3. Contains technical and conforming changes.

4. Becomes effective on the general effective date, retroactive to July 20, 2011.

House Action

WM	1/30/12	DP	8-0-0-1
3rd Read	2/28/12		57-0-2-0-1

Prepared by Senate Research
March 6, 2012
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