



ARIZONA STATE SENATE
Fifty-First Legislature, Second Regular Session

AMENDED

FACT SHEET FOR S.B. 1331

fire; building; life safety; continuation
(NOW: model city tax code; changes)

Purpose

Clarifies that any changes cities make in their Model City Tax Code are void if those changes are not shown in the Department of Revenue's official copy of the Model City Tax Code.

Background

Arizona allows incorporated cities and towns to each have a separate tax base for their transaction privilege tax (TPT) collections. The Arizona Model City Tax Code (MCTC) is designed to assist the business community in determining which items are taxed by each individual city and town and which items are exempt from taxation.

The MCTC was originally drafted in response to a recommendation adopted by a legislatively created municipal sales tax study commission. During the hearings held by that commission, business representatives expressed concern about the wide divergence in local transaction privilege taxes and the resulting difficulty in compliance. This is particularly true for multi-jurisdictional taxpayers who are paying tax not only to the state but also to two or more cities or towns throughout the state.

The twin goals of the MCTC are, while providing a greater degree of uniformity, to also retain the right of individual cities and towns to determine the items taxed as well as the exemptions to be granted, thereby leaving the determination of the local sales tax base up to the individual city or town council. All proposed changes to the code are reviewed by the Unified Audit Committee and approved by the Municipal Tax Code Commission (Commission).

If a city or town requests to modify its tax code, it must submit the proposed modification or amendment of the MCTC to the Commission for review and comment. The change cannot be adopted any sooner than 60 days after its submission. Within 30 days of receiving the proposed amendment or modification, the Commission may hold public hearings to review and receive comments on the desired changes. Any changes to the MCTC approved by the Commission must be adopted by all cities and towns. The Commission may also recommend the change be made as a model or local option that cities and towns may opt in or out of individually. A city or town may not adopt amendments or modifications to the MCTC until they have been approved by the Commission. Changes in tax rates made by a city or town are not currently subject to the Commission's review, but the city or town must notify the Commission within ten days of the ordinance passing.

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

1. Stipulates that retroactive from and after July 1, 1988, any changes to the MCTC that are not reflected in the official copy on file with DOR are void and have no effect.
2. Defines *new or different tax rate* as the adoption or repeal of a model or local option or any change that increases the amount of tax a taxpayer must pay to a city or town and the failure of a city or town to notify the Commission and, beginning July, 1, 2012, DOR renders new or different tax rates void.
3. Specifies that any claim for refund of TPT paid based on the retroactivity application must be submitted to DOR or the appropriate city on or before December 31, 2014 and failure file a claim before the date constitutes a waiver of the claim.
4. Stipulates that the burden is on the taxpayer to establish the amount of refund claims and requires DOR to:
 - a) review all timely filed claims;
 - b) determine, on audit if necessary, the correct amount of each claim; and
 - c) notify the taxpayer of its determination.
5. Prohibits DOR or the appropriate city from making a refund until after the determination of the amount of all filed claims.
6. Stipulates that if a taxpayer appeals a determination, DOR is permitted to notify other taxpayers that have filed claims as to the nature of the delay.
7. Prohibits the total amount of refunds issued from being more than \$10,000, however if the total exceeds that amount, DOR must reduce each claim proportionately so that the total amount of refunds is not more than \$10,000.
8. Declares that interest is prohibited from being allowed or compounded on a refund paid before July 1, 2015, and unpaid amounts after July 1, 2015 must accrue interest.
9. Contains a declaration of intent.
10. Becomes effective on the general effective date with the retroactivity as noted.

Amendments Adopted by the House

- Clarifies that any changes cities make in their MCTC are void if those changes are not shown in DOR's official copy of the MCTC.

FACT SHEET - Amended

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Senate Action

PS	2/12/14	DP	7-0-0
3 rd Read	2/24/14		27-2-1

House Action

WM	3/17/14	DPA/SE	4-3-0-1
3 rd Read	4/15/14		41-19-0-0

Prepared by Senate Research

April 16, 2014

BR/ls