

The seal of the State of Arizona is a large, faint watermark in the background. It is circular with the text "SEAL OF THE STATE OF ARIZONA" around the top and "1912" at the bottom, flanked by two stars. In the center is a shield depicting a landscape with a mountain, a river, and a sun.

2018 Legislative Summaries

**State of Arizona
Department
of Revenue**

This document contains summaries of 2018 legislation from the Fifty Third Legislature – Second Regular Session.

2018 Legislative Summaries

The following is intended to give a brief summary of the major 2018 tax-related legislation impacting the Arizona Department of Revenue (ADOR) and not intended to discuss specifics of any particular enactment. Detailed summaries and the chaptered versions of these bills can also be found at www.azleg.gov. Please refer to the particular legislation for more definitive information.

The general effective date for legislation enacted during the Second Regular Session is August 3, 2018. All legislation will have this effective date unless otherwise noted in the summary.

Income Tax

HB 2191 (Chapter 258) **military families; assistance; subaccounts**

Creates the Pre-9/11 and Post 9/11 veteran subaccounts within the Military Family Relief Fund (MFRF) and continues the MFRF through 2026.

HB 2192 (Chapter 199) **military family relief fund; extension**

Continues the MFRF through 2026.

HB 2647 (Chapter 142) **internal revenue conformity**

Incorporates the federal changes made in 2017 into Arizona's definition of "internal revenue code".

SB 1405 (Chapter 106) **corporate income tax allocation; sales**

Specifies, beginning in tax year (TY) 2020, that sales from intangibles include sales derived from credit and charge card receivables, including fees, merchant discounts, interchanges, interest and related revenue.

Transaction Privilege Tax/Use Tax

HB 2003 (Chapter 263) **coal mining; TPT; repeal**

Exempts the sale of coal from transaction privilege tax (TPT) and establishes a .5% county excise tax on the sale of coal mined or extracted within county boundaries. The legislation does not become effective unless on or before December 31, 2022, the Navajo Nation approves the transfer of ownership of the Navajo generating station by a resolution and the Navajo Nation delivers the resolution to the Governor and ADOR Director.

HB 2371 (Chapter 286) **mobile food vendors; state licensure**

Establishes statewide licensure for mobile food vendors while outlining municipal and county regulations. The legislation also clarifies tax classification for mobile food vendors.

HB 2416 (Chapter 305) **Appropriation; study; prime contracting classification**

Appropriates \$75,000 from the Residential Contractors' Recovery Fund in FY 2019 to ADOR for

an independent study of the rate of noncompliance by persons subject to the prime contracting TPT classification.

HB 2456 (Chapter 138)
stadium district; extension; Rio Nuevo

Continues shared revenue distribution to Rio Nuevo District until July 1, 2035.

HB 2484 (Chapter 17)
local food tax; equality

Requires a municipal food tax to be uniformly applied to all food items that are subject to the tax. The legislation also prohibits additional tax or fee differentials from being applied to specific food items and specifies which food and related items may not be taxed.

SB 1120 (Chapter 249)
tax exemption; special events; nonprofits

Retroactive to January 1, 2018, prohibits TPT exemptions to nonprofit organizations owned or controlled by Major League Baseball or the Professional Golfers' Association.

SB 1382 (Chapter 189)
TPT; online lodging marketplace; registration

Requires, starting in TY 2019, all online lodging market places to register with ADOR for a TPT license and exempts transient lodging from the online lodging marketplace classification. The legislation also prohibits the Rio Nuevo Multipurpose Facilities District from using TPT revenues to pay off debt service for bonds or contractual obligations incurred after 2009.

SB 1390 (Chapter 74)
TPT; additional rate; education

Establishes an additional 0.6% TPT and use tax exclusively dedicated to education to be levied from July 1, 2021 until June 30, 2041 and outlines revenue distribution.

SB 1409 (Chapter 341)
TPT; prime contracting; alteration; replacement

Modifies the definition of alteration in the prime contracting statutes by removing the square footage thresholds.

Property Tax

HB 2126 (Chapter 231)
government property; abatement; slum; blight

Modifies existing requirements relating to the abatement of the government property lease excise tax for property improvements located in the central business district of a city or town.

HB 2185 (Chapter 68)
school districts; tax levy; calculation

Modifies the calculation of a school district's primary property tax levy and rate.

HB 2198 (Chapter 114)
property tax; delinquent tax list

Requires counties to post a description of the property associated with any parcel for which a tax lien will be sold as a result of unpaid or delinquent taxes on the county website. The legislation also requires the property account number, rather than

a legal description, to be listed on the notice of tax lien sales prepared by the county treasurer.

**HB 2385 (Chapter 73)
property tax appeals; court findings.**

An emergency measure that prohibits the court's finding of real property's full cash value in a property tax appeal from being greater than the amount appealed by the taxpayer to the Board of Equalization.

**SB 1144 (Chapter 52)
conservation easements; notice; valuation**

Establishes additional guidelines for conservation easements and the related public digital registries.

**SB 1254 (Chapter 335)
school district consolidation**

Allows a common school district and a union high school district to consolidate by election if the common school district is part of a union high school district that is made up of two or fewer common school districts.

Multiple Tax Types/Misc.

**HB 2510 (Chapter 308)
auto dealers; task force; fund**

Establishes the Unlicensed Motor Vehicle Dealer Enforcement Task Force (Task Force) within the Arizona Department of Transportation (ADOT) consisting of three members from each from ADOT, ADOR and an independent automobile dealers' association in Arizona. The Task Force is required to meet quarterly through July 1, 2026 to:

a. Review unlicensed motor vehicle dealer enforcement activities;

b. Report findings to the Director; and
c. Submit a copy to the Secretary of State.
The legislation also establishes the Motor Vehicle Dealer Enforcement Fund consisting of civil penalties from licensed or unlicensed motor vehicle dealer activity.

**SB 1097 (Chapter 50)
unclaimed property; notice; publication;
claims**

Limits the period an owner of unclaimed property may pursue their claim with ADOR to 35 years. Requires the notice of abandoned property be published on social media or broadcasted on the radio. Requires ADOR to annually publish the estimated dollar amount of unclaimed property on the homepage of the unclaimed property website.

**SB 1293 (Chapter 338)
department of revenue; administrative
efficiency**

Amend titles 42 and 43 by removing government burdens on taxpayers, helping taxpayers more easily comply with Arizona tax laws and increasing the efficiency of the ADOR as follows:

- Simplifies the exempt-organization statutes by removing the requirement for most tax-exempt organizations to file information returns (Form 99) and repealing and amending obsolete sections of statute.
- Allows for certain ADOR notices that otherwise are required to be sent by certified mail to be sent by electronic means, including audit deficiency assessments, notice and sale of seized property, change of valuation for property tax purposes.
- Allows ADOR to destroy all documents or other information not required to be

included with all tax returns, including copies of federal tax returns.

- Allows for the collection of state and municipal vehicle use tax at the time of registration of a vehicle at the Motor Vehicle Division (MVD) – the ADOR/MVD Vehicle Use Tax project.
- Combats tax fraud by treating ADOR requests of taxpayers e-filing returns to provide a hard copy of information of claimed deduction, credits, or withholding amounts entered electronically as non-audit adjustments. If the taxpayer fails to provide the requested documentation, ADOR may deny the deduction, credits, or withholding amounts on the tax return.
- Removes the requirement that employers furnish a statement to ADOR of the amount withheld from an employee and paid to a charity or school tuition organization.
- Permits ADOR to abate bad check fees if it is determined that the conduct that caused the penalty was due to reasonable cause and not willful neglect.
- Makes other technical and clarifying changes.

SB 1294 (Chapter 104) tax corrections act of 2018

Makes numerous, technical, clarifying and conforming changes in the tax-related statutes in the Arizona Revised Statutes.

SB 1385 (Chapter 218) tax appeals; administrative hearings; confidentiality

Allows certain tax appeals resulting from an ADOR tax refund denial or deficiency assessment

determination by ADOR to proceed directly to the State Board of Tax Appeals or tax court and makes changes to ADOR's disclosure statutes as follows:

- Allows a limited liability company's information to be disclosed to any member of the company or a company manager.
- Permits a government entity's information to be disclosed to the head of the entity, a member of the entity governing board or any authorized entity employee.
- Stipulates that a taxpayer's information can be disclosed during a meeting or telephone call, provided the taxpayer is present during that meeting or telephone call and authorizes disclosure confidential information.
- Specifies that confidential information can be disclosed to the Arizona Department of Administration's Risk Management Division and the Office of the Attorney General, if it relates to a claim against the state involving ADOR.
- Allows confidential information to be disclosed to another state agency, provided the taxpayer authorizes disclosure of the confidential information in writing.
- Stipulates that information regarding whether an employer has paid all amounts due under the unemployment insurance program can be disclosed to the Arizona Department of Economic Security.
- Permits a corporate officer to sign a sworn statement that they are a principal officer for the purpose of interacting with ADOR on their corporation's behalf.
- Defines a principal officer as a chief executive officer, president, secretary, treasurer, vice president of tax, chief financial officer, chief operating officer, chief tax officer or any other corporate

officer with authority to bind the taxpayer on matters related to state taxes.

**SB 1386 (Chapter 190)
high-tech tax fraud**

Outlaws selling, purchasing and using automated sales suppression devices with the purpose of defeating or evading tax liability.

**SB 1412 (Chapter 59)
unclaimed property; electric cooperatives;
credits**

Allows electric cooperatives to use unclaimed capital credits or fees for purposes specified by their boards of directors.

**SB 1520 (Chapter 276)
general appropriations act; 2018-2019**

Expands the existing enforcement report to include transaction privilege tax delinquencies.

**SB 1529 (Chapter 283)
revenues; budget reconciliation; 2018-
2019**

Increases the income tax deduction for benefits, annuities and pensions received as retirement or retainer pay of the Uniformed Services of the United States from \$2,500 to \$3,500 in TY 2019 and beyond. The legislation also continues the Legislature's intent that the total fees collected by ADOR for administrative costs do not exceed \$20,755,835 in any FY and that the fees assessed to each local government be in proportion to the distribution of revenues in the FY two years prior.