



SPECIAL EDITION — Arizona Postpones Key Sales Tax Reforms...Again!

This Special Edition state and local tax (SALT) column addresses the latest, indefinite, delay to Arizona's effort to simplify its sales tax system.

In 2013, the Arizona Legislature passed a transaction privilege (sales) tax reform bill. As one of just four states that allow municipalities to administer their own sales taxes, one of the legislature's primary objectives was to simplify the state's sales tax system by doing away with the requirement for some businesses to:

- Obtain municipal sales tax licenses from up to 18 cities that administer their own sales taxes (non-program cities);
- File municipal sales tax returns with up to 18 non-program cities; and
- Remit sales taxes to up to 18 non-program cities.

The Intended Effective Date and the Initial Delay

Arizona's sales tax reforms were to be effective on January 1, 2015, and some of the changes did go into effect on that date — like Arizona's cumbersome new rules governing the taxation of construction contractors and the rule that prevents municipalities from initiating a new sales or use tax audit on a company unless the company is only engaged in business in one municipality or the municipality is authorized by the Department of Revenue (Department) to conduct the audit.

However, the most important simplifications, those that would have required the Department to issue all municipal sales tax licenses, to process all municipal sales tax returns, and to receive all municipal

sales tax payments, did not go into effect on January 1, 2015 as planned. Instead, late in 2014, the Department announced that these key reforms were being delayed until January 1, 2016 due to the "complexity and scale of programming" required.

The Latest Delay Indefinite

Now, roughly two and a half years after former Arizona Governor Jan Brewer signed Arizona's sales tax reforms into law, the Department updated its website to indicate that it will not issue sales tax licenses for non-program cities, process sales tax returns for non-program cities, or receive sales tax payments for non-program cities beginning January 1, 2016 because its computer system still is not ready — and this time the Department did not indicate when its computer system will be ready to implement these important reforms.

A Silver Lining

When Arizona passed its sales tax reforms in 2013 there were 18 non-program cities. Since then, three cities — Bullhead City, Somerton, and Willcox — allowed the Department to begin collecting sales taxes for them beginning January 1, 2015 and, effective January 1, 2016, the City of Sedona will allow the Department to begin collecting sales taxes for it.

So, as of January 1, 2016, Arizona taxpayers will "only" have to juggle additional sales tax licensing, filing and payment responsibilities in up to 14 non-program cities — Apache



by James G. Busby, Jr., CPA

Junction, Avondale, Chandler, Douglas, Flagstaff, Glendale, Mesa, Nogales, Peoria, Phoenix, Prescott, Scottsdale, Tempe and Tucson.

Practice Tip!

CPAs who work for or consult with businesses that are subject to Arizona sales and use taxes should make sure their companies and clients realize that Arizona's non-program cities will continue issuing separate sales tax licenses and requiring separate sales tax returns and payments for the foreseeable future. ■

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