



Arizona's Response to Wayfair Eliminates Municipal Retail Tax Codes

In this month's state and local tax (SALT) column, Busby highlights the provisions of H.B. 2757 that relate to Arizona's new economic nexus standards for remote sellers and marketplace facilitators; addresses the state's efforts to simplify its sales tax structure; and highlights some ongoing challenges for remote sellers. This is the first in a series of three articles addressing Arizona's response to the Wayfair decision.

As predicted, in a move that may increase state and local sales tax collections by as much as \$293 million annually, Arizona's Legislature amended the state tax code to require remote sellers to remit sales tax on proceeds from sales to customers in the state based on economic nexus standards.

The Legislature also adopted marketplace facilitator provisions and preempted cities and towns from imposing retail sales taxes under their own tax codes.

These changes will go into effect on October 1, 2019.

Arizona's Economic Nexus Standards for Remote Sellers

Arizona's economic nexus standard for remote sellers applies:

- for calendar year 2019, when gross retail sales to customers in the state not facilitated by a marketplace facilitator exceed \$200,000 in the previous or current calendar year;
- for calendar year 2020, when gross retail sales to customers in the state not facilitated by a marketplace facilitator exceed \$150,000 in the previous or current calendar year; and
- for calendar year 2021 and for each year thereafter, when gross retail sales to customers in the state not facilitated by a marketplace facilitator exceed \$100,000 in the previous or current calendar year.

Sales by all affiliated parties are aggregated for purposes of determining whether remote sellers satisfy these criteria.

Arizona's economic nexus standards do not take into consideration the number of annual transactions a remote seller may have with customers in the state.

Economic Nexus Standard for Marketplace Facilitators

Arizona's economic nexus standard for marketplace facilitators applies if the gross retail sales to customers in the state in the current or previous calendar year by the marketplace facilitator on its own behalf or on behalf of at least one marketplace seller exceed \$100,000. Sales by all affiliated parties are aggregated for purposes of determining whether marketplace facilitators satisfy these criteria.

Marketplace facilitators may report tax due for transactions facilitated on behalf of marketplace sellers either with tax collected for transactions made directly by the



by James G. Busby, Jr., CPA

James G. Busby, Jr., CPA, is a state and local tax attorney at The Cavanagh Law Firm. Busby previously worked in the SALT departments at Arthur Andersen and Deloitte & Touche. Before entering private practice, Busby was in charge of all transaction privilege (sales) tax audits at the Arizona Department of Revenue. If you have any questions, please contact the author. He can be reached at (602) 322-4146 or JBusby@CavanaghLaw.com.

Highlights of July Board of Directors Meeting

Among other actions at its July 24, 2019 meeting, the ASCPA Board of Directors reviewed the following:

Auditor Report

The 2018-2019 financial report was given by the independent firm of Mayer Hoffman McCann P.C. An unqualified audit report was issued.

AICPA Board Liaison Dialogue on CPA Evolution, etc.

Anita Baker, the Society's AICPA liaison, shared information on CPA Evolution, a combined NASBA-AICPA effort aimed at evolving CPA licensure. The board provided comments for Cindie to submit to the AICPA.

Consent Agenda

The consent agenda, which included the board minutes and financial statements, was approved.

Conflict of Interest Policy

Board members reviewed and signed the conflict of interest policy as part of the annual process.

Nominating Committee Report

The board approved the following names as members of the nominating committee: Ginny DeSanto (committee chair), Anita Baker, Mike Krysik, Andrea Levy and Ryan Littleton.

Branding

Cindie and Heidi provided an update on the Society's branding project. The board provided input on a variety of matters.

Strategic Plan Update

Cindie provided an update on the Society, including advocacy activities, Accountancy Board actions and membership renewals.

A Day in the Life

Vanessa Makridis and Jessica Iennarella each shared a view of the challenges and joys they experience in their life and job.

Other Business

No other business was conducted.

If you have questions or would like additional information, please contact Cindie Hubiak at (602) 324-2888; AZ toll free at (888) 237-0700, ext. 203; or chubiak@ascpa.com.

marketplace facilitator on a combined return or on a separate return.

All Retail Sales Taxes to be Imposed Via the State Tax Code

In an effort to dramatically simplify the state's sales tax structure, Arizona's Legislature preempted cities and towns from imposing retail sales taxes under their own tax codes. Thus, effective October 1, 2019, all state and local retail sales taxes will be imposed via the state tax code rather than under the state tax code and up to 91 separate municipal tax codes. However, as we will explore in a future column, there still will be several differences between the state tax base and the tax bases for various cities and towns in Arizona.

Ongoing Challenges for Remote Sellers

In addition to perpetuating some differences between state and local tax bases, Arizona still has not adopted the Streamlined Sales and Use Tax Agreement or many of its features that were designed to reduce administrative and compliance costs for taxpayers. For instance, as we will explore in a future column, Arizona's sourcing provisions require remote sellers to apply up to 91 different municipal tax rates and up to 15 different county tax rates. ■



ASCPA Hiring Director of Finance & Administration

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