

Arizona Postpones Key Sales Tax Reforms — Again!

by James G. Busby Jr.



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James G. Busby Jr. is a state and local taxation attorney at the Cavanaugh Law Firm in Phoenix. He previously worked in the SALT departments at Arthur Andersen and Deloitte & Touche. Before entering private practice in 1999, Busby was the chief auditor in charge of transaction privilege (sales) tax audits at the Arizona Department of Revenue. He can be reached at JBusby@CavanaughLaw.com.

In this edition of SALT From My Saddle, Busby addresses the latest, indefinite delay in Arizona's effort to simplify its sales tax system.

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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.¹

The Initial Delay

Arizona's sales tax reforms were to take effect on January 1, 2015, and some of the changes did go into effect on that date, such as Arizona's cumbersome new rules governing the taxation of construction contractors² and the rule that prevents municipalities from initiating a sales or use tax audit unless the company is engaged in business in only one municipality or the municipality is authorized by the Department of Revenue to conduct the audit.³

However, the most important simplifications, those that would have required the department to issue all municipal sales tax licenses, process all municipal sales tax returns, and receive all municipal sales tax payments, did not take effect January 1, 2015, as planned. Instead, late in 2014, the department announced that these key reforms were being delayed until January 1, 2016, because of the "complexity and scale of programming" required.

The Latest Indefinite Delay

Roughly two and a half years after former Gov. 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.⁴

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 collect sales taxes for them beginning January 1, 2015, and effective January 1, 2016, the city of Sedona will allow the department to collect its sales taxes.⁵

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

Practice Tip!

Tax professionals 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. ☆

¹Laws 2013, chapter 255, section 27.

²Laws 2015, chapter 4E.

³Laws 2013, chapter 255, section 18.

⁴"TPT Simplification," Arizona Department of Revenue, *available at* <https://www.azdor.gov/TPTSimplification/About.aspx>.

⁵*Id.*