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# ARIZONA DEPARTMENT OF REVENUE

## 2014 ANNUAL REPORT

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# STATE OF ARIZONA

Department of Revenue



Janice K. Brewer  
Governor

David Raber  
Director

November 15, 2014

The Honorable Janice K. Brewer  
Governor of the State of Arizona  
1700 West Washington Street, 9<sup>th</sup> floor  
Phoenix, Arizona 85007

Dear Governor Brewer and Taxpayers of Arizona:

Fiscal Year 2014 was a year filled with highs and lows. It was a milestone year, as we collected more than \$13 billion as an agency for the third fiscal year in a row. Of the \$13 billion in taxes collected by the department during the year, more than \$7.5 billion was deposited directly into the State General Fund. More than \$525 million was collected through the department's tax enforcement efforts. By collecting more than \$525 million through the audit, license compliance, and collections programs, the department surpassed its \$466 million target set at the beginning of the year; performing at 112% of goal.

Sadly, our Director John Greene passed away during this fiscal year in October, 2013. John loved his job and was proud of the department. He was most impressed with the dedication and "esprit de corps" that exists among the people within the agency. The department has a great team of employees who take pride in their abilities. John was with the department for less than three years, but his memory and legacy will live on. I am honored to follow in his footsteps as the Department's Director.

With that said, Department of Revenue employees achieved several noteworthy accomplishments in Fiscal Year 2014 including: processing over 5.6 million tax documents; processing over 40,000 new business licenses, and processing over 2 million refunds for taxpayers within a 9 calendar day turnaround. Additional accomplishments can be found in the "Division Highlights" section of this report.

We, as a Department, continue to focus on our three core goals:

- To increase our return on investment.
- To increase customer and stakeholder satisfaction.
- To increase employee satisfaction.

We are dedicated to our commitment of excellence and quality. I wish to thank our hard working employees for making this possible. Please contact me if I can provide you with any additional information.

Sincerely,

David Raber  
Director



# **DEPARTMENT ORGANIZATION**

Organization and Organization Chart

Strategic Plan Highlights

Administrative Services

Audit

Collections

Information Technology

Process Administration

Property Tax

Taxpayer and External Services

Tax Policy and Research

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# Organization

The mission statement of the Department of Revenue is to serve the people of Arizona by administering tax laws with integrity, fairness and efficiency. It is our vision that we set the standard for tax services.

Tax laws that fall under the department's purview are primarily in the areas of income, transaction privilege (sales), use, luxury, withholding, property, estate, fiduciary, bingo, and severance.

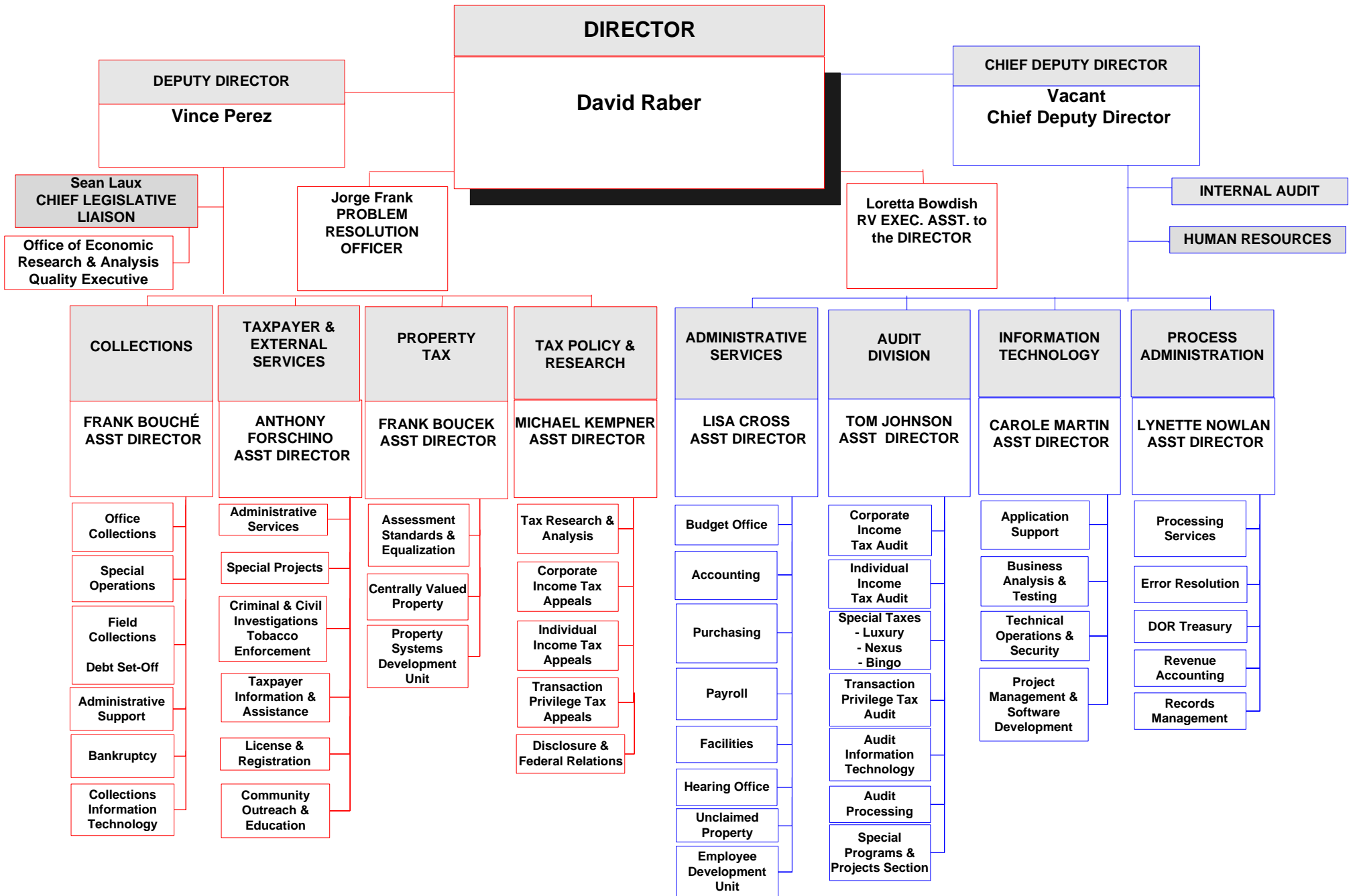
The director is responsible for the direction, operation, and control of the department to ensure that the administration and collection of taxes are cost effective and performed with high quality to meet taxpayers' needs.

The chief deputy director and deputy director report to the director. The chief deputy director assists the director in the day-to-day operations of the

department serving as acting director when the director is absent. Also reporting to the director is the problem resolution officer, who acts as the taxpayer advocate within the department. Reporting to both the director and the chief deputy director is the chief internal auditor, who oversees the internal audit team and acts as liaison with external auditors.

The department is organized into eight divisions, each managed by an assistant director. Divisions include: Administrative Services, Audit, Collections, Information Technology, Process Administration, Property Tax, Taxpayer and External Services, and Tax Policy and Research. Each division performs specific functions which are integrated to achieve the department's major external objectives of efficient tax collection and processing, timely enforcement of tax laws, and accurate valuation of property.

# ARIZONA DEPARTMENT OF REVENUE





# Strategic Plan Highlights

## MISSION, VISION, VALUES

The Mission Statement of the Department of Revenue is “to serve the people of Arizona by administering tax laws with integrity, fairness and efficiency”. This statement of purpose guides our direction, agency actions and decision making.

Our Vision Statement, “to set the standard for tax services”, identifies the marker for the kind of agency we want to become and what we hope to achieve.

Our company culture is defined by embracing values that are shared among all employees. Our Values are:

- Accountability – in actions and work activities. We take responsibility for the work we do.
- Accuracy – by exercising care in doing our jobs and following established policies and procedures.
- Creativity – in the way we approach our work and serve our customers.
- Integrity – we have high ethical standards and make decisions based on facts.
- Respect – for co-workers, customers and our Mission.
- Results – by setting expectations in our actions and operations to achieve desired outcomes.
- Service – to our customers. We listen and try to resolve issues fairly and consistently.

## GOALS AND OBJECTIVES

We continue to focus on our three core goals:

- To maximize our return on investment.
- To maximize customer and stakeholder satisfaction.
- To maximize employee satisfaction.

## KEY MEASURE RESULT HIGHLIGHTS

The results of these key measures for fiscal year 2014 are presented as well as comparisons to prior years.

## TOTAL GROSS REVENUES COLLECTED

### FY13

Transaction Privilege .....	\$7,660,240,313
Income & Withholding .....	\$4,630,465,343
Corporate .....	\$ 755,002,081
Other .....	\$ 554,243,318
Total .....	\$ 13,599,951,055

### FY14

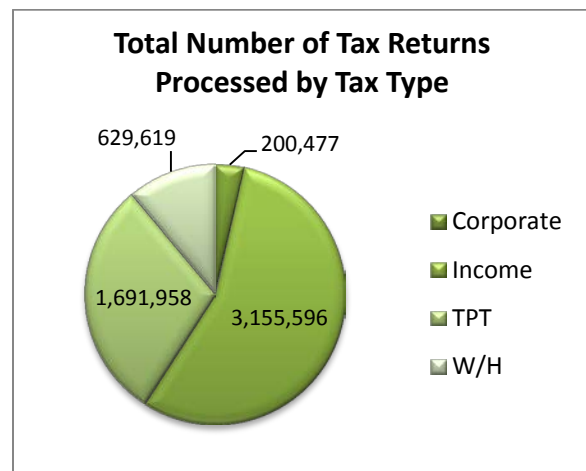
Transaction Privilege .....	\$7,103,749,724
Income & Withholding .....	\$4,712,050,380
Corporate .....	\$ 705,727,107
Other .....	\$ 534,154,984
Total .....	\$ 13,055,682,195

Detailed gross revenues are reported under Table 1.

## TOTAL NUMBER OF TAX RETURNS PROCESSED BY TAX TYPE

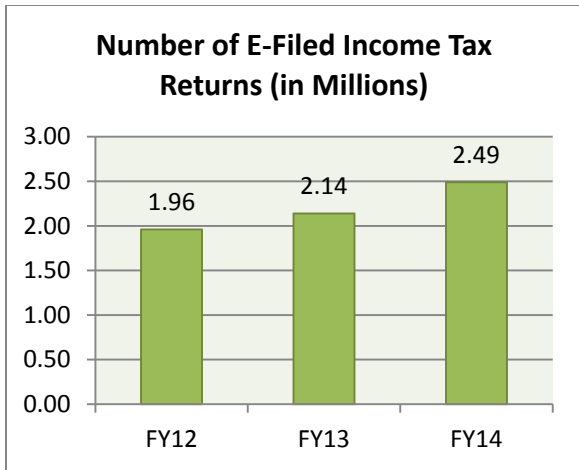
All tax returns are processed through the Taxpayer Accounting System (TAS).

Transaction Privilege .....	1,691,958
Individual Income .....	3,155,596
Withholding .....	629,619
Corporate Income.....	200,477
Total Returns Processed.....	5,677,650



**TOTAL NUMBER OF E-FILED INDIVIDUAL INCOME TAX RETURNS RECEIVED**

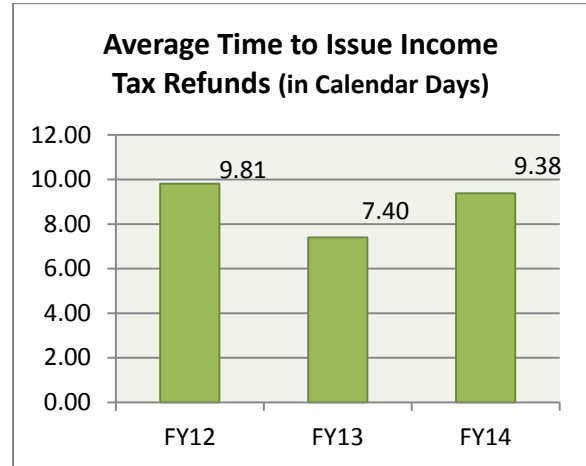
FY12 .....	1,959,352
FY13 .....	2,146,479
FY14 .....	2,490,000



**AVERAGE TIME TO ISSUE INCOME TAX REFUNDS**

The average time to process an income tax refund is measured in calendar days. The data includes cycle times for both paper and electronic refunds. A portion of those electronic filers also elect to receive their refunds electronically via direct deposit.

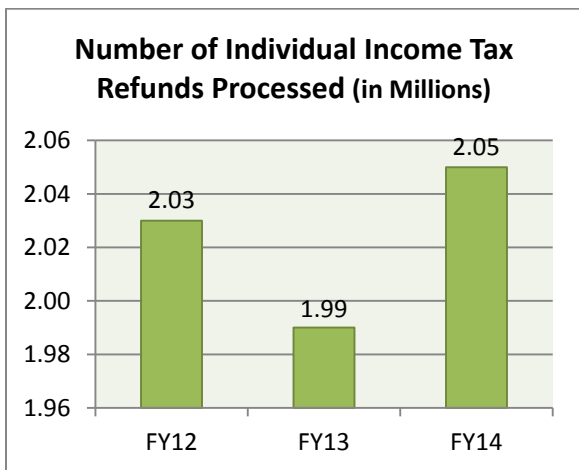
FY12 .....	9.81 days
FY13 .....	7.40 days
FY14 .....	9.38 days



**TOTAL NUMBER OF INDIVIDUAL INCOME TAX REFUNDS**

The total number of income tax refunds processed includes both electronic direct deposits and paper refund warrants.

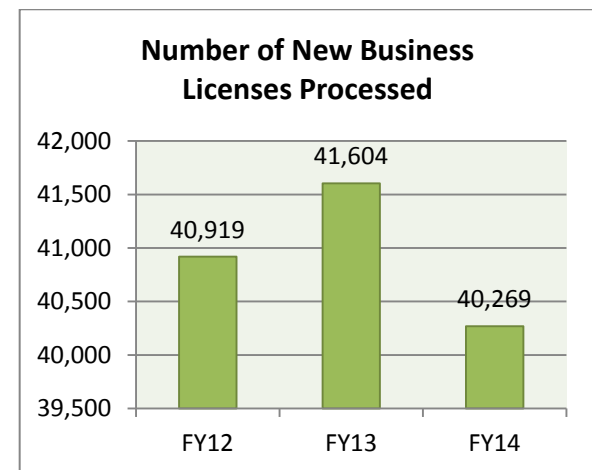
FY12 .....	2,031,879
FY13 .....	1,998,845
FY14 .....	2,053,037



**NUMBER OF NEW BUSINESS LICENSES PROCESSED**

New business licenses are processed at walk-in counters, through the mail and via on-line services.

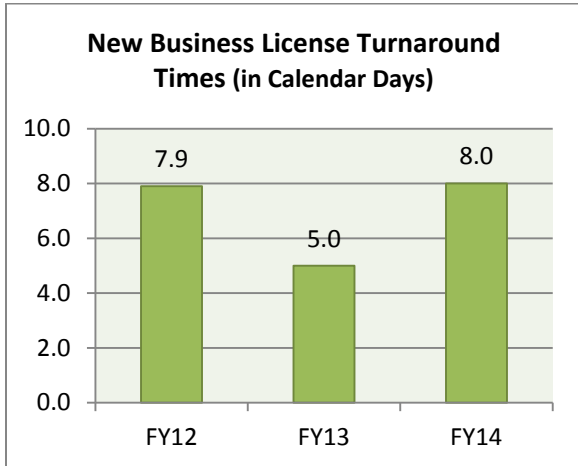
FY12 .....	40,919
FY13 .....	41,604
FY14 .....	40,269



**AVERAGE NEW BUSINESS LICENSE TURNAROUND TIME**

License turnaround time is defined as the point from when the initial application or request is received via walk-in, mail or electronically and ending when the approved license is mailed to the taxpayer.

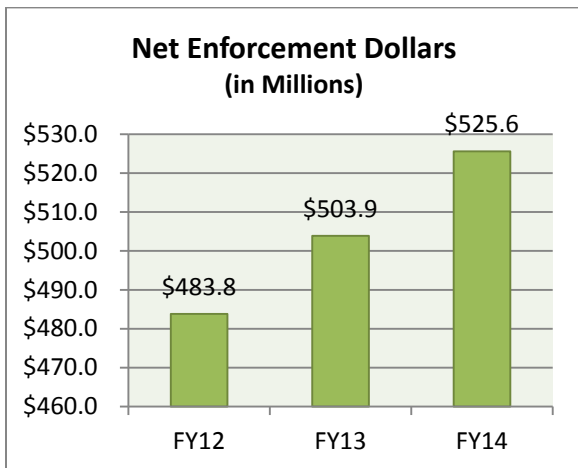
FY12 .....	7.9 days
FY13 .....	5.0 days
FY14 .....	8.0 days



**TOTAL NET ENFORCEMENT DOLLARS**

Total net enforcement dollars represent all revenue collected by collectors and auditors through various enforcement programs.

FY12 .....	\$ 483,890,612
FY13 .....	\$ 503,986,414
FY14 .....	\$ 525,555,010



**NET ENFORCEMENT REVENUE WITH GENERAL FUND TOTALS**

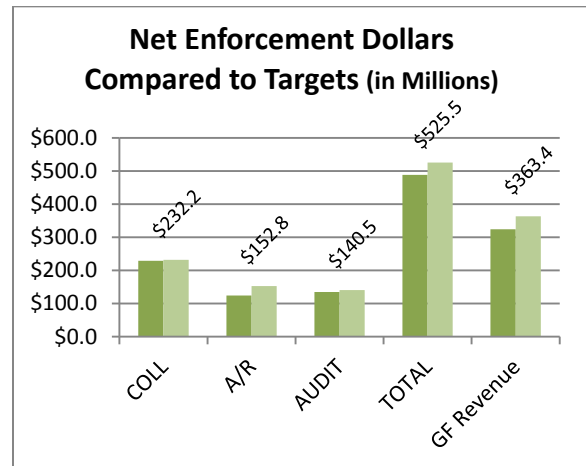
The enforcement program generated results at 112.6% of goal, surpassing fiscal year 2014 targets. This chart also shows how much of the enforcement revenues went to the General Fund.

**FY14 Net Targets**

Collections .....	\$229.2M
Accounts Receivable .....	\$124.1M
All Audit .....	\$135.1M
Total Revenue .....	\$488.4M
General Fund Revenue .....	\$324.2M

**FY14 Net Actual**

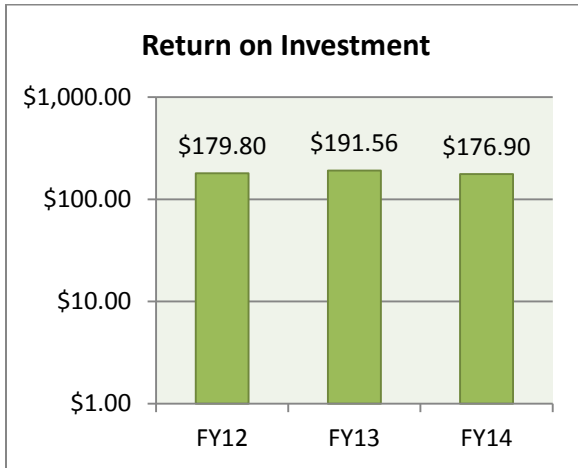
Collections .....	\$232.2M
Accounts Receivable .....	\$152.8M
All Audit .....	\$140.5M
Total Revenue .....	\$525.5M
General Fund Revenue .....	\$363.4M



**RETURN ON INVESTMENT**

Return on investment is calculated by dividing the total number of gross revenue dollars received and processed by the department’s total operating budget. For fiscal year 2014, \$176.90 was produced for each dollar spent in the total DOR budget.

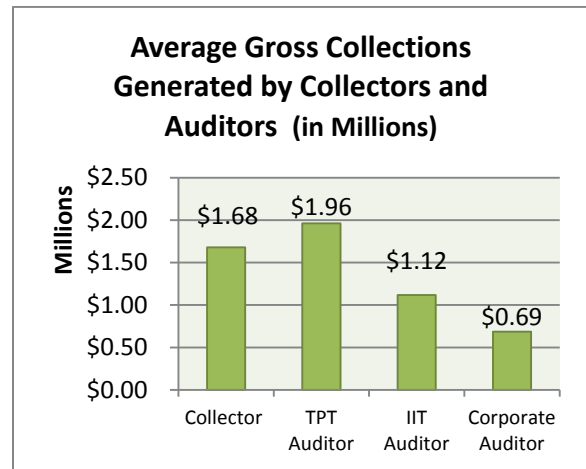
FY12 .....	\$179.80
FY13 .....	\$191.57
FY14 .....	\$176.90



**AVERAGE GROSS COLLECTIONS GENERATED BY COLLECTORS AND AUDITORS**

Collector .....	\$1,678,378
TPT Auditor .....	\$1,962,419
Corporate Auditor .....	\$ 686,693
Individual Income Auditor .....	\$ 1,117,667

Collections averaged \$1.7 million dollars collected per collector in fiscal year 2014. Auditors collected at different levels depending upon the type of audit work they performed; ranging from a little over \$2.0 million per TPT auditor to \$687 thousand per corporate income auditor.



**RETURN ON INVESTMENT FOR ENFORCEMENT PROGRAM**

The return on investment for the enforcement program is calculated by dividing the total number of net enforcement dollars collected by the department’s total operating budget. For fiscal year 2014, \$7.12 of enforcement revenue was collected for each dollar spent in the total DOR budget.

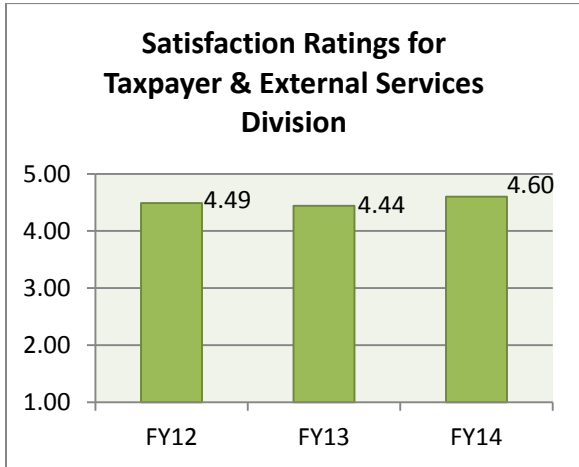
FY12 .....	\$6.69
FY13 .....	\$7.10
FY14 .....	\$7.12



**TAXPAYER SATISFACTION RATINGS FOR THE TAXPAYER & EXTERNAL SERVICES DIVISION**

These scores were received from taxpayers rating the services of the employees in the Taxpayer & External Services division's *Taxpayer Information & Assistance* call center. (All satisfaction ratings tracked at the department have a 1 to 5 scale, 5 being the highest rating.)

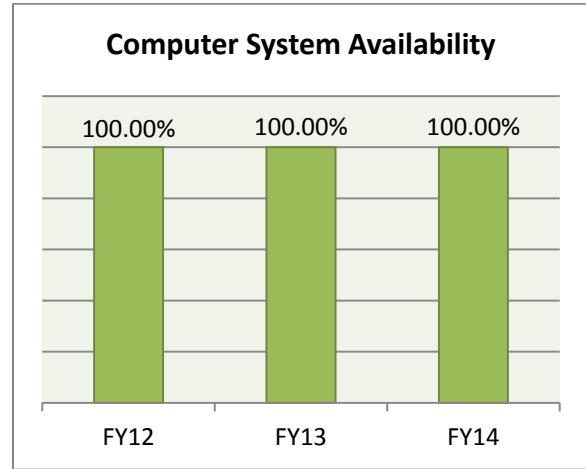
FY12 .....	4.49
FY13 .....	4.44
FY14 .....	4.60



**PERCENT OF TIME THE LOCAL AND WIDE AREA NETWORK (LAN/WAN) IS AVAILABLE.**

Local and wide area network availability is a measure for the Information Technology Division to assess their ability as a service provider.

FY12 .....	100.0 %
FY13 .....	100.0 %
FY14 .....	100.0 %



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The key measures reported here serve as a general overview of how the department is progressing in line with the strategic plan. The strategic plan keeps us aligned with our Mission, Values, Vision, and our day to day performance as a department.



# ADMINISTRATIVE SERVICES

**Mission Statement:** *To provide support and expertise in delivering excellent services by understanding our products and customers.*

The vision of the Administrative Services Division is to be the leader in innovative and proactive customer support. The Administrative Services Division is responsible for the oversight of the department's financial and employee services. The division consists of the following sections/units:

## **Accounting**

The Accounting Unit processes accounts payable invoices, provides travel services including employee reimbursement, and oversees the fixed assets inventory.

## **Budget Office**

The Budget Office is responsible for monitoring current year expenditures against the approved budget, coordinating preparation of the department's budget, providing budget information and analysis to the Director and the department's Leadership Team.

## **Education Development**

The Employee Development Unit (EDU) plans, develops, organizes, and executes training for employees throughout the agency. The unit is responsible for providing training for all new employees, interns and other state agency personnel, who will be conducting business in collaboration with the Department. The unit staff is responsible for developing and delivering both classroom and computer-based courses. The EDU collaborates with other units throughout the Agency, such as Community Outreach and Education, Human Resources, and Information Technology, to streamline resources and training. The unit is also charged with managing or conducting courses coordinated by the Department of Administration, e.g., Leadership Arizona and MAP Training for Supervisors.

## **Facilities Management**

The Facilities Management Section coordinates building facility maintenance, including troubleshooting building utility issues (i.e. chillers, UPS, elevators etc.) remodeling office areas at the department's four buildings and coordinating tenant

improvements to the buildings in cooperation with ADOA or the landlord. Facilities Management receives and logs all goods and supplies purchased by the department, manages building security access and the security guards. The section oversees safety issues such as fire drills, safety inspections, risk management issues and interaction with the State Fire Marshall. The section also oversees the mailroom which is responsible for the receipt and sorting of all mail received at the 1600 W Monroe address.

## **Hearing Office**

The Hearing Office holds hearings and issues written decisions on protests of department assessments and refund denials relating to income tax, withholding tax and estate tax.

## **Payroll**

The Payroll Unit is responsible for oversight of the department's employee payroll, which includes accurate tracking of hours worked, leave taken and payroll deductions through HRIS, ASRS and RASL Retirement processing.

## **Purchasing**

The Purchasing Unit is responsible for contracting and purchasing all goods and services required by the department. The unit oversees all contract and maintenance agreements and is the program administration area for the State Purchasing Card Program (P-Card).

## **Unclaimed Property**

This program is administered to return abandoned property such as dormant bank accounts, insurance policy proceeds, security deposits, unclaimed stocks, bonds, and mutual fund accounts, safe deposit box contents and all types of un-cashed checks to the property's rightful owners. Through a variety of methods, the unclaimed property staff locates the owners and processes claims in order to return the property. The staff facilitates the reporting and remitting of abandoned property from businesses, financial institutions and other entities that hold the property. The unit is also responsible for promoting compliance with the Revised Arizona Unclaimed Property Act.

## HIGHLIGHTS IN FISCAL YEAR 2014

### Accounting

- ✓ The Accounting Unit processed 97% of all invoices within 30 days.

### Budget

- ✓ Coordinated the efforts of each division with IT to ensure that adequate resources were available to implement several legislatively-mandated new programs, such as TPT Reform and TAS/AZ Taxes Upgrades.
- ✓ Employed zero-based budgeting principles within several major cost centers to appropriately allocate agency resources in critical areas.
- ✓ Delegated Budget Manager to the agency Strategic Planning Team to provide fiscal expertise for ongoing strategic planning efforts.

### Education Development

- ✓ Updated computer-based training modules.
- ✓ Conducted Agency-wide training on Windows 7 & Microsoft Office 2010 applications.
- ✓ Reinstated *Lunch & Learn* opportunities for employees.
- ✓ Developed a training module and trained over 50% of employees on a voluntary basis on how to write a self-appraisal as part of the annual performance evaluation process.
- ✓ Collaborated with CORE on a TPT Simplification training plan.

### Facilities

- ✓ Relocated the warehouse and Process Administration section to a new location.
- ✓ Closed the old warehouse location.
- ✓ Completed Tennant Improvements on a building shared with the Arizona Department of Motor Vehicles in Mesa, AZ. Constructed a secure area to house four License and Registration employees to complete licensing transactions.
- ✓ Removed all modular equipment from the existing East Valley Office in Gilbert, AZ and moved all employees to the Phoenix and Mesa locations. Closed the Gilbert location.
- ✓ Hired an additional Building Maintenance Technician for the Facilities Department.

- ✓ Carpeted and painted the third floor that was vacated due to the Process Administration move.
- ✓ Painted the second floor that was vacated due to the Process Administration move.
- ✓ The mailroom duties for all mail received at the 1600 W. Monroe address were transitioned from the Process Administration Division to Facilities in December 2013.
- ✓ Completed 98% of all work orders within 24 hours and received an average customer survey rating of 4.75 out of a possible 5 for the year.

### Payroll

- ✓ DOR completed its first year using ETE (Employee Time Entry).

### Purchasing

- ✓ All procurement such as solicitations, contracts and purchase orders are issued through the new statewide ProcureAZ. Procurement reform was implemented resulting in a reduction in DOR's procurement authority and a new relationship with the State Procurement Office was developed to address procurements above DOR's authority.

### Hearing Office

- ✓ The Hearing Office workload had increased significantly starting in fiscal year 2010. For fiscal year 2014 the Hearing Office continues to handle nearly as many cases as it did in fiscal year 2000 and 2001 when the Hearing Office had twice the staff.

### Unclaimed Property

- ✓ Unclaimed property staff returned over \$34 million to current and former Arizona residents.
- ✓ More than 46,000 properties were returned to over 17,000 owners.
- ✓ The average time to process and pay a claim was 43 days, and reports were processed, on average, within 30 days.
- ✓ Nearly \$110 million in new property was added to the database, and over 18,000 claims for property were received.
- ✓ Nearly 9,000 reports were processed by the Unit's compliance staff and over 658,000 new properties were added to the database.



# AUDIT

**Mission Statement:** *To promote voluntary compliance by auditing, identifying common areas of non-compliance and educating taxpayers.*

The Audit Division consists of the Corporate Income Tax Audit, Individual Income Tax Audit, Transaction Privilege and Use Tax Audit, Special Taxes, Processing and Information Technology sections. The division's major emphasis is to treat taxpayers equitably, fairly and respectfully. Training and educating our employees is instrumental in developing skilled auditors. Staff members are professional, courteous employees whose expertise is reflected in their performance and achievement of audit goals and objectives. We take pride in our accomplishments and consistently strive to be more efficient, exceed expectations and be viewed as a model audit program.

## **Corporate Income Tax (CIT) Audit**

The Corporate Income Tax Audit Section is responsible for all original and amended corporate income tax filings. Returns selected for audits are researched and examined at State offices or the taxpayer's corporate headquarters. This is accomplished by reviewing available public information and supporting documentation furnished by the taxpayer. The goal is to operate in the most effective and efficient manner, for both the taxpayer and the State.

Audit activities include analyzing and verifying returns, refund claims, net operating losses, tax credits and adjustments based upon federal revenue agent reports.

## **Individual Income Tax (IIT) Audit**

The Individual Income Tax Audit Section has a primary goal of providing quality service by using the audit process as an educational and cooperative process that helps to improve voluntary compliance by ensuring taxpayers report and pay the correct amount of tax due. Most taxpayers can be confused, frustrated and overwhelmed by the process of an audit and the Section works to reduce the stress by placing emphasis on treating taxpayers in a courteous and professional manner with as little disruption as possible.

The auditor is allowed to work in a more efficient and expedient manner by using all available data sources in the Audit process which allows for a more complete file to be created on audit cases. Receiving electronic data from the Internal Revenue Service allows the Department to match with all other resources on the taxpayers and tax years involved without requiring manual research by our administrative support staff. Audit files now contain all relevant information that an auditor would need in order to process the audit case and make all necessary adjustments. This results in an audit being issued in a timelier manner since manual clerical support research is not required.

## **Transaction Privilege and Use Tax (TPT) Audit**

The Transaction Privilege and Use Tax Audit Section is comprised of the Field Audit and License Compliance Units. The overall goal of the Section is to improve voluntary compliance by providing education to the taxpayers.

The Field Audit Unit conducts the majority of its audits within Arizona but out-of-state audits are conducted as well. The determining factor is the location of the taxpayer's books and records. The Field Audit Unit also handles refund requests.

The License Compliance Unit continues to prove to be a successful unit. The License Compliance officers do both office research and field work. Their goal is to seek out those businesses that are not licensed for transaction privilege and/or withholding tax, so taxpayers can voluntarily comply with the tax laws.

## **Special Programs and Projects**

The Special Program and Projects section is comprised of three units: Program Cities Unit, Withholding Tax Unit, and Penalty Review Unit.

The Program Cities Unit is the liaison between Department of Revenue and all cities. The unit assists cities and towns contracted with DOR regarding the administration, collection and audit of TPT. This unit is responsible for maintaining the Model City Tax Code.

The Penalty Review Unit responds to taxpayer requests for abatement of penalties for all tax types.

The Withholding Tax unit is responsible for withholding tax filings. Returns selected for audits are researched and examined. In some cases, federal information is utilized and confirmed before proceeding with an audit. Upon confirmation of federal information, taxpayer information and supporting documentation are reviewed.

### **Special Taxes (ST)**

Special Taxes comprises four separate units: Bingo, Luxury Tax, Nexus, and Desk Audit.

The Bingo Unit is responsible for administering the Bingo laws pursuant to Title 5 of the Arizona Revised Statutes. The Unit issues licenses, processes monthly financial reports (returns) and provides customer service to Bingo licensees and patrons.

The Luxury Tax Unit administers the excise tax imposed on tobacco distributors and liquor wholesalers. The Unit is responsible for customer service, licensing, auditing and ensuring that the department is in compliance with the tobacco manufacturers' Master Settlement Agreement. Cigarette distributors pay tobacco taxes by purchasing tax stamps from the department to affix to the cigarettes, thereby reflecting that the tax has been paid. Tax is paid on other tobacco products based on weight. The Unit is also responsible for auditing and providing customer service to liquor wholesalers.

The Nexus Unit is responsible for identifying out-of-state companies and individuals who have an obligation to file tax returns with the State of Arizona. Nexus is the connection required to exist between a State and potential taxpayer such that the State has the constitutional right to impose the tax. The United States constitution limits the State's right to impose a tax through the Due Process and the Commerce Clause. Non-resident individuals are required to pay tax on all income derived from Arizona sources provided they meet the filing threshold. The unit operates various out-of-state non-filer programs for Transaction Privilege Tax, Corporate Income Tax, and Individual Income Tax. The Unit is also responsible for responding to nexus inquiries and various other nexus programs that identify taxpayers that may have a filing requirement.

The department's Voluntary Disclosure Program is administered by the Nexus Unit. This program

consists of taxpayers voluntarily coming forward to file tax returns for Transaction Privilege/Use Tax, Corporate, Partnership, Individual, and Withholding. The program facilitates the process for taxpayers who have determined a filing requirement exists, and therefore, wish to be in compliance with Arizona tax laws.

The Desk Audit Unit is responsible for identifying taxpayers that may have a use tax filing requirement. The Unit receives data from several sources related to taxable transactions and issues the taxpayers a billing or a notice of proposed assessment. During this fiscal year, it was decided that the Nexus Unit and Desk Audit Unit have similar responsibilities and processes. Therefore, the Desk Audit Unit was transferred from the Transaction Privilege Tax Section to the Special Taxes Section.

### **Audit Processing**

Audit Processing handles the audit support for all audit operations; TPT Audit, Corporate Income Tax, Individual Income Tax, Bingo, and Special Taxes. The Section keys all of the audit assessments into the system (TAS) and audit data bases, hand stuffs and mails all assessments, opens all mail and correspondence received, maintains all audit files and researches and corrects system issues.

### **Audit Information Technology (AIT)**

The Audit IT Section is made up of tax specialists from the three major tax types, Individual Income Tax, Corporate Income Tax and Transaction Privilege Tax. These personnel have acquired the technical backgrounds in the various software and hardware that the department uses to support the daily functions of the Audit Division. They utilize their tax backgrounds with their IT technical backgrounds to support the large volume of data that the Audit Division needs to perform their function of auditing under the various taxing sections.

The Audit IT Team creates, develops, and supports the various tracking databases which retain all the information on the activities which take place in each of the taxing section. This includes but is not limited to the selection of the audits, the assignment of the audits, and the capturing of the final data of each of the audits.

## HIGHLIGHTS IN FISCAL YEAR 2014

### Corporate Income Tax Audit Section

- ✓ Assessed over \$45 million.
- ✓ Collected \$10 million.
- ✓ Denied \$10 million in refund claims.
- ✓ Processed 500 Federal Revenue Agent Reports.
- ✓ Revised filters used in data analytics to improve outcomes from audit selection.
- ✓ Enhanced training practices and content for new auditors.
- ✓ Assisted with efforts to combat fraud.

### Individual Income Tax Audit

- ✓ Completed over 123,000 audits for total assessments of \$32.6 million and collected \$24.6 million in additional revenue.
- ✓ The computer generated assessment (CGA) program continues to be an extremely successful program. The results were the issuance of 59,150 audits for total assessments of \$6.8 million.
- ✓ Initial audit assessment quality is constantly improving. For the fiscal year, over 96.8% of our initial audit assessments required no further changes. The goal was to achieve a rate of 88%.
- ✓ Provided resources to the Department's Fraud Team which helped in preventing refunds deemed to be fraudulent from being issued.

### Transaction Privilege and Use Tax Audit

- ✓ Field Audit Unit audited 341 taxpayers, produced 1,957 units, assessed over \$28 million and collected in excess of \$18.5 million in tax revenue.
- ✓ License Compliance Unit licensed 1,716 new taxpayers and collected over \$77 million.
- ✓ Customer surveys averaged a score of 4.48, using a scale of 1 to 5 with 5 being excellent.
- ✓ Employees from both units served on committees for the implementation of HB2111 – TPT Reform/Simplification.

### Special Programs and Projects

- ✓ The Penalty Review Unit closed 2,380 cases.

### Special Taxes

- ✓ The Luxury Tax Unit reviewed tobacco distributor reports for compliance with the Master Settlement Agreement and the Unit began the distributor outreach program by visiting individual distributors and inviting distributors to the Tobacco Symposium that is scheduled for October 2014.
- ✓ The Luxury Tax Unit assessed \$2.7 million and collected \$1.6 million this fiscal year.
- ✓ There were 465 taxpayers that came forward in the department's Voluntary Disclosure program and the Nexus Unit collected approximately \$32 million.
- ✓ The Desk Audit Unit collected \$4.2 million from 2,599 taxpayers.



# COLLECTIONS

**Mission Statement:** *To collect delinquent tax liabilities in a fair manner, to promote voluntary compliance through the impartial enforcement of tax laws, and to provide efficient service to the taxpayers of this state.*

## **Office Collections**

After the Accounts Receivable system has completed the prescribed billing cycle, cases are referred to Office Collections. Collectors attempt to reach account resolution on mostly income tax cases, via the telephone and with targeted mailings. Office Collections uses an Automatic Call Distribution (ACD) system to process and handle incoming calls. This system has an Interactive Voice Response (IVR) module that provides automated responses for some basic collections questions such as account balances. Office Collectors can request that liens and levies be filed and can negotiate installment payment plans. If they are not able to resolve a case, it might be referred to Field Collections or the Attorney General's Office for further action.

## **Field Collections**

If an Office Collector determines that a case cannot be resolved by phone and that a field (on-site) approach is warranted, the case is referred to the Field Collections section. Field collectors are assigned a territory (by ZIP code) and are responsible for all types of tax cases (mostly large balance business cases) in the territory. Field collectors use a combination of telephone and field visits. In addition to recommending lien and levy action, Field collectors may subpoena records, investigate Offers-in-Compromise, conduct seizures and write off cases if they are determined to be uncollectible. The objective in Field Collections is to reach closure in the least intrusive manner. Seizure actions are only used as a last resort after all other more reasonable actions have failed.

## **Administrative Support**

Provides all support functions for the division: payroll, mail, maintenance on collection accounts, request levies, filing and releasing of tax liens and providing Certificates of Compliance.

## **Debt Set-Off**

The area is responsible for the offset of income tax refunds to debts owed to other state agencies, the courts and political subdivisions of the state. The process involves matching data received from other agencies against refund data, notifying participating agencies and taxpayers when matches are made, validating the information, and paying the claims when warranted. The unit's duties also include qualifying agencies and courts for participation in the program and resolving discrepancies as necessary to protect the rights of both taxpayers and claimants.

## **HIGHLIGHTS IN FISCAL YEAR 2014**

- The division was responsible for the generation of total revenues of \$232 million, a \$7 million (3%) increase over the prior fiscal year.
- Outsourcing / Business Re-alignment - In fiscal year 2013, Collections began sending income accounts to outside collections agencies under our contract for outsource collections activities. During fiscal year 2014, in anticipation of TPT reform, the division undertook a major realignment of staff to focus on business taxes, which makes up 65% of inventory and 71% of collection revenue. As a result, the majority of our staff is now dedicated to collection of business taxes or answering inbound taxpayer calls. In order to facilitate that change, the majority of our income tax inventory is now assigned to outside collections agencies for collections.



# INFORMATION TECHNOLOGY

**Mission Statement:** *The IT Division provides the department with an integrated technology environment and automated business processes which allow for timely, efficient, and secure transfer of information to employees, taxpayers, and other agencies.*

The IT Division provides technology and services to all Divisions. All teams in the Division strive to continually improve processes, tools, and standards in order to provide improved service to our internal customers and the Arizona taxpayers.

## **Applications Support**

Application Services is responsible for providing both software development and application support services to all Divisions.

The Application Software Development team is responsible for building high quality, cost effective, sustainable software solutions for the taxpayers, the department and to meet legislative mandates. This team also provides on-going enhancements to improve efficiency of the department's information systems. The Application Support teams work with the various divisions to resolve defects, and support technology-enabled business processes. Application support provides operational, support and maintenance services for all department tax processing systems, including:

- All tax processing systems, including: Taxpayer Administration System (TAS), AZTaxes ([www.AZTaxes.gov](http://www.AZTaxes.gov)), electronic filing (MeFile), Data Entry systems, Cashier, and Remittance.
- Property and Audit mainframe applications.
- System scheduling and processing services, ensuring system processes are completed successfully.
- Support, management and monitoring of the tax systems infrastructure, application services and more than 200 system and inter-agency interfaces.

## **Managed Services Group**

The Managed Services Group (MSG) acts as a liaison between IT and the functional areas within DOR (Collections, Audit, Taxpayer and External Services, etc.). MSG administers all System Investigation Reports (SIRs) and ensures requests

are properly tracked and prioritized. MSG is responsible for establishing policies, standards, methodologies, and guidelines pertaining to business requirements gathering and application testing, and the Help Desk. MSG works closely with the functional areas to better understand their business and IT requirements and seek ways to improve efficiencies through the use of application technology. MSG is responsible for testing all software applications prior to deployment, which includes implementing changes or fixes to new and existing applications.

## **Operations and Security**

The Operations and Security team consists of the Server and Network Engineering, Database Administration, and Information Security.

Network Engineering and Server Support is responsible for operations and oversight of all of the agency's data centers including all servers, storage systems, infrastructure and networks.

The Database Administration Team assures availability, reliability, capacity and performance management of the department's databases. The databases include tax process Analytic and Reporting systems.

Information Security (InfoSec) ensures a sound security program is in place throughout the department, with the primary focus of protecting the information and systems based upon governance and security best practices. The InfoSec Program includes:

- Ensure compliance to policy & regulatory mandates
- Manage risks & vulnerabilities in accordance with NIST800-53 & IRS Pub1075
- Participate in Vendor Oversight Committee Audits employing BS27001
- Coordinate/Perform InfoSec Forensics activities
- Assist & review Information security policies standards and procedures
- Provide Employee Awareness of Information Security

### **Business Solutions Group**

The Business Solutions Group (BSG) is responsible for information technology governance and project management.

The Project Management Office is responsible for establishing, maintaining, and enforcing project management processes, procedures, and standards for IT projects. It also leads the governance of projects through a steering committee consisting of top tier business leaders.

### **The Vendor Management Office**

The Vendor Management Office (VMO) is responsible for building and managing relationships with the department's IT suppliers and service providers to increase customer satisfaction, reduce cost, and improve services. The primary goal of the VMO is to partner with vendors, not only to negotiate the best terms possible, but to gain commitment to assist and support operations of the department.

### **HIGHLIGHTS IN FISCAL YEAR 2014**

- Supported a new processing record of more than 2,284,735 electronic returns using the MeFile system.
- Upgraded core tax system web servers and application.
- Sustained and improved the technical environments that support core business processes and are used to process all tax filings, payments and returns for the taxpayers.
- Continued upgrades to key system databases increasing reliability, availability and performance during the primary tax season.
- Implemented more than 89 business-driven changes to the tax systems.
- Addressed critical legislative mandate from the legislative session including:
  - Prepaid wireless E911 Excise Tax (HB2094)



# PROCESS ADMINISTRATION

**Mission Statement:** *To provide quality service by processing all tax returns and payments accurately and timely for Arizona taxpayers.*

The Process Administration Division serves as the catalyst and cornerstone of the Department of Revenue. The division is responsible for the initial processing of all tax returns, remittances, supporting documentation, and correspondence received by the department. This includes opening, sorting, and reviewing all returns and accompanying mail, performing archival capture functions, remittance deposit preparation, and data entry into the computer systems. These functions are performed using both manual input of documents and imaging technologies. The division processes over five million returns and remittances each year. Individual unit roles and responsibilities are defined below.

## **Processing Services**

Processing Services is responsible for the opening, batching and processing of tax documents for the largest four tax types: Individual Income, Transaction Privilege Tax, Withholding, and Corporate. Mail Services is responsible for the receipt, sorting and delivery of tax documents, payments and correspondence received by the agency. Processing is responsible for batching documents and identifying any documents missing proper information prior to data being entered for all taxes.

## **DOR Treasury**

Treasury is responsible for processing taxpayer payments and entering taxpayer data using several different computer systems.

## **Error Resolution**

Error Resolution, which includes the Review unit, is responsible for ensuring accuracy in the processing of returns and payments for the largest four tax types.

## **Revenue Accounting**

Revenue Accounting is responsible for providing financial services for the department. This includes the reconciliation and reporting of tax dollars deposited to the State's financial institution,

revenue and taxpayer accounting services, including accounts receivable management and refund/warrant management.

## **Records Management**

Records Management is responsible for the filing, maintaining, storing and disposal of all tax documents as well as providing access to tax returns and license applications within the department. Records Management is also the source of assistance when developing customized records retention and disposition schedules for the department.

## **HIGHLIGHTS IN FISCAL YEAR 2014**

- The volume continues to grow and the Process Administration Division continues to respond. In comparing fiscal year 2013 to fiscal year 2014, the number of returns increased by 4.43% and the payments by 4.25%. The division managed to process the additional volume without increased resources and very minimal impact to the time it takes to process a return or deposit the money to the bank.
- The Process Administration Division began working with the Governors Transformation Office on a project to review the current procedures for handling the returns and payments. The goal is to make the process more efficient while still maintaining a quality of work. A team was formed with employees from various units across the division. During this fiscal year the team began to examine the processing of the 2D Bar Code Income Tax Returns and have identified several improvements that will be implemented during fiscal year 2014.
- Received and processed 5.7 million tax documents for the main four tax types.
- Received, processed, and deposited 4.3 million payments with an average deposit time of 0.74 days.
- Issued 2.1 million refunds to individual income taxpayers.



# PROPERTY TAX

**MISSION STATEMENT:** *To ensure fair and uniform property values for Arizona taxpayers.* The vision of the Property Tax Division is to deliver excellent property tax services.

The Property Tax Division is responsible for general oversight of the county assessors in the administration of Arizona's property tax laws and for the valuation of complex, geographically dispersed properties. Functional areas of the Property Tax Division and primary responsibilities of each are discussed below.

## **Centrally Valued Properties**

The Centrally Valued Properties Team annually determines the full cash value of all utilities, railroads, mines and other complex or geographically dispersed properties (see page 77 for a list of the industries the department values). Values determined for such properties, with the exception of flight property and private rail cars, are transmitted to the appropriate county treasurers for collection of property taxes. The department collects taxes levied on flight property and private rail cars and deposits the taxes with the State Aviation Fund and the General Fund, respectively. In addition, the team assists county assessors with maintaining and updating a standardized cadastral mapping system. The team prepares tax area code maps that depict boundaries of taxing jurisdictions authorized to levy property taxes.

## **Assessment Standards and Training**

The Assessment Standards and Training Team oversees and ensures the application of uniform appraisal methods and techniques used by county assessors to determine the value of locally assessed property. The team also presents technical workshops to county assessors and provides an appraiser/assessor certification program for appraisal staff.

## **Personal Property/Manuals**

The Personal Property/Manuals Team oversees the development and application of personal property valuation procedures and manuals and provides technical workshops to county personnel. The Manuals Team updates and produces manuals and guidelines. They also review legislative enactments and changes to existing property tax statutes, and

prepare an extract of the property tax statutes found in Title 42.

## **CAMA / Construction Cost**

The Computer-Assisted Mass Appraisal (CAMA) and Construction Cost Team maintains the Supplemental Component Costs as well as the Residential and Commercial Depreciation schedules in order to promote the use of uniform component costs throughout the State when counties value property using the cost approach. The team also provides training and assistance for county appraisers in the use of the cost and market approaches to value, including sales based valuation models.

## **Central Information Services**

The Central Information Services Team coordinates the data processing services necessary to support property tax administration. The support services provided include management of automated systems used in the preparation of assessment and tax rolls, the preparation of valuation abstracts, property tax notices of value and statements of taxes due. The team verifies County Property Tax Rates, including Additional State Aid to Education calculations.

## **Computer-Assisted Valuation**

The Computer-Assisted Mass Appraisal Team develops sales-based models for residential properties and maintains and assists county assessors with the Land Valuation System.

## **Forms**

The Forms Team is responsible for producing forms prescribed for use in the administration of the property tax system.

## **Training and Certification**

The Training and Certification Team provides an appraiser/assessor certification program for county appraisal staff. They also present additional classes on varied appraisal topics to assist with continuing education for those certified appraisers.

## **Equalization**

The Equalization Team is responsible for annually measuring county assessor performance for compliance with established full cash/market value standards. The team conducts sales ratio studies

throughout the yearly valuation cycle to assist counties in complying with valuation standards.

### **HIGHLIGHTS IN FISCAL YEAR 2014**

- The Centrally Valued Property Team valued approximately 860 taxpayers totaling \$38 billion in full cash value. There were 27 taxpayers (approximately 3%) who appealed their values to the department in the first level of appeal; 10 taxpayers went on to file petitions with the State Board of Equalization. Of those 10 petitions, three were settled and seven were heard before the Board. The Board decided in favor of the Department in all seven cases.
- The Assessment Procedures Team handled 14 property tax appeals for the 2014 tax year as the result of conflicts of interest in a county assessor's office. Eight of the appeals involved administrative level appeals to the Assessor and the Board of Equalization. Five of the appeals progressed to superior court. Two appeals were settled, one was reduced at the Board of Equalization, and the Department prevailed on behalf of the county in 11 cases.
- The Assessment Procedures Team published the Commercial Property Market Study which compiles sales, income and expense data, and capitalization rate data for 10 income producing types of property in the 13 non-metro counties statewide.
- The Forms Team reviewed and updated 20 property tax forms and added a revision date field for each property tax form listed on the DOR website. The Team also held a Property Tax Forms Review Committee meeting with representatives of 12 county assessors' offices, reviewing the DOR forms used in administering the property tax program statewide. The Forms Team also updated return forms, instructions, and tax rate charts for use with the GPLET program for the 2013 tax year.
- The Training and Certification Team launched a cloud-based education tracking software system and trained liaisons from each of the 15 counties in the use of the software in order to automate registration, reporting of grades and communication associated with courses provided to the appraisal students. The Training and Certification Team provided training to 59 students participating in Provisional courses, 49 students attending Level 1 certification courses and 25 students attending Level 2 certification courses in the DOR Appraiser Training and Certification Program this year. After a completion of 18 months work experience or the equivalent toward work experience, a total of 41 students received their Level 1, Level 2 or Level 3 certification during the fiscal year. The Property Tax Division continued its partnership with Rio Salado Community College this fiscal year. The partnership allows students attending DOR appraiser training courses to receive nine semester hours of college credit for completing Level 1 courses and six additional semester hours of credit for Level 2 courses. A total of 28 students completed the Level 1 series of courses and 14 students completed the Level 2 series of courses in the Rio Salado program this fiscal year.
- The Personal Property Team conducted five personal property workshops throughout the state, providing continuing education via training on topics related to legislative updates, new mobile home identification insignia, statewide exemption tracking, and personal property valuation in conjunction with real property models. The team redesigned the personal property manual and updated the Personal Property class associated with appraiser training under the format of the redesigned manual for the 2015 training cycle.

# TAXPAYER AND EXTERNAL SERVICES

**Mission Statement:** *To meet the needs of our customers in a professional manner, with the highest standards of integrity.*

## **Community Outreach Resources and Education (CORE)**

Community Outreach Resources and Education provides the department's outreach and education program for taxpayers and tax practitioners. CORE's primary goal is to promote voluntary compliance with tax laws through education. CORE continues to work with the Internal Revenue Service, other federal, state, and local agencies, and Small Business Development Centers, as well as the Small Business Administration and other business associations to strengthen its outreach efforts and audience scope.

CORE continues to coordinate state tax training for the Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs. VITA and TCE sites provide vital free tax preparation services for low income, elderly and non-English speaking populations.

This section is responsible for the creating and maintaining the department's publications as well as preparing the Annual Report.

## **Criminal and Civil Investigations**

The Criminal and Civil Investigations Section includes the Tobacco Enforcement Unit and the Criminal Investigations Unit. The Tobacco Enforcement Unit enforces the tobacco luxury taxes by educating retailers and wholesale suppliers, inspecting tobacco products for compliance with tax stamp requirements and seizing products that are not being sold legally in Arizona. The unit also investigates criminal activity, such as the importation and sale of counterfeit tobacco products. The Criminal Investigations Unit investigates tax evasion, improper or fraudulent tax activity by both taxpayers and preparers, and other related issues. Both units work with other law enforcement organizations to prosecute tax-related crimes.

## **Forms**

This unit is responsible for designing and printing all official department forms, except Property Tax related forms, and review and approval of all substitute forms

used by software vendors in preparing Arizona tax returns.

## **Legislative Liaison**

The liaison represents the department at the Legislature. The liaison coordinates the analysis, research and testimony of tax legislation, reads, analyzes, and tracks bills through the legislative process; coordinates implementation of legislation after passage. Also acts as the liaison between legislators and the department including handling constituent issues for legislators and the Governor's office, and monitoring federal law changes.

## **License and Registration (L&R)**

The License and Registration section provides assistance to taxpayers, business owners, corporate officers, tax practitioners, companies and other representatives who wish to conduct business within the State, to obtain required licensing, make payments to the State or to purchase tobacco stamps.

The L&R customer service team (CS) is responsible for assisting this group of constituents when they visit one of the three department locations. The CS team provides education and assistance with establishing and securing a Transaction Privilege Tax License, a Withholding Registration or a Use Tax Certificate. Additionally, the CS team provides education and assistance by responding to general inquiries regarding notices or taxes and they also collect and post payments made to the State.

The L&R maintenance unit (MU) is responsible for assisting the same group of constituents when they call into the license and registration or bond lines. The unit is also responsible for working and resolving all mailed in correspondence regarding licenses or registration, including applications, signature cards and business updates. The maintenance unit provides education and assistance with establishing and securing a Transaction Privilege Tax License, a Withholding Registration or a Use Tax Certificate. Moreover, the maintenance unit administers the bond program, solar registration program and portions of the tobacco stamp program. The team is responsible for providing specialized education, assistance and support to companies in these unique lines of

business and other department units. Additionally, the unit provides maintenance support to customers and other department units by researching and resolving the most complicated account license, registration or bond problems.

### **Office of Economic Research and Analysis**

The Office of Economic Research & Analysis provides statistical analysis and research services to the department, the Governor's Office, the Legislature and other political subdivisions as well as the private sector. Fiscal impacts, when possible, and analysis are provided for proposals of changes to taxes administered by the department. This Office provides forecasts of general fund revenues from the major three tax types for consideration in the Governor's budget proposal. Staff support is provided for the Economic Estimates Commission, the Debt Oversight Commission and the Property Tax Oversight Commission. An individual income tax simulation model is maintained to analyze proposed changes to Arizona's individual income tax. The department's annual report tables are prepared by this Office, as well as the Tax Expenditure Report and the Report on Bonded Indebtedness. Other reports are prepared throughout the year providing statistics and information on various tax types, including the monthly publication Tax Facts.

The Quality Office is also a part of the Office of Economic Research and Analysis. The Quality Office coordinates the strategic planning efforts of the department with programs focusing on agency-wide quality initiatives. Included in these initiatives are customer satisfaction survey improvements, feedback and analysis and benchmarking studies.

### **Public Information Officer**

This position is the official spokesperson for the department, facilitates the flow of information to the public, and responds to all media contacts and inquiries.

### **Taxpayer Information and Assistance (TIA)**

The mission in Taxpayer Information and Assistance is to provide exceptional service in an effective, efficient and fair manner for all our customers. Customers include taxpayers who report their own personal income tax, tax practitioners, certified public accountants, enrolled agents, attorneys, payroll service companies, business

owners and corporations. TIA is also contacted by staff from local state representatives' offices and the governor's office for assistance in resolving matters brought to their attention by their constituents.

Means of contacting TIA are by telephone, written correspondence, email, and walk-in service. Calls are received through three published primary telephone lines as well as two tax practitioner telephone hotlines to obtain expedited service. Email is received through the department's two websites: [azdor.gov](http://azdor.gov) and [AZTaxes.gov](http://AZTaxes.gov). Walk-in service is available at two locations, Phoenix and Tucson.

TIA provides a wide range of assistance to the taxpayer community, answering general questions, researching and resolving refund and billing disputes, assisting with account reconciliation, answering tax code questions, providing statutory reference, offering guidance and instruction on tax form preparation, assisting with registration and licensing of a new business and changes to existing licenses. The administrative support team processes Power of Attorney (POA) forms and delivers professional and courteous guidance to the walk-in customers at the lobby reception desks in Phoenix and Tucson.

TIA takes a positive approach and makes every effort to educate our customers about their tax requirements and helps them understand what to expect when they register their business or file their tax return. Tax types include personal income tax, corporate tax, transaction privilege and use tax and withholding tax.

### **HIGHLIGHTS IN FISCAL YEAR 2014**

- The Community Outreach and Education Section (CORE) renewed partnerships with the cities of Phoenix, Mesa, Scottsdale and Chandler to present joint state-city TPT workshops.
- CORE assisted in the promotion of the Free File Alliance, a nonprofit coalition of industry-leading tax software companies partnered with the IRS to help taxpayers prepare and e-file their tax returns for free.
- The Criminal Investigation Unit stopped nearly \$74 million in fraudulent refunds. This is an increase of over \$41 million over last fiscal year (nearly a 100% increase).

- The Tobacco Enforcement Unit conducted approximately 3,100 retail and wholesale tobacco inspections. During this time period the unit also conducted 64 separate seizures of illegal tobacco products. Over 100,000 sticks of cigarettes and 8,000 cigars were among the untaxed other tobacco products seized.
- The Office of Economic Research and Analysis accomplished several things over the fiscal year. These include:
  - ✓ Participated in the planning and implementation of TPT Reform.
  - ✓ Updated the Individual Income Tax model simulation for tax years 2007 and 2008.
  - ✓ Issued 765 Certificates of Eligibility for the Health Insurance Premium Tax Credit to individuals and small businesses.
  - ✓ Approved 214 corporate donations for the Corporate Income Tax Credit for Donations to School Tuition Organizations and the Corporate Income Tax Credit for Donations to School Tuition Organizations for Disabled/Displaced Student Scholarships.
  - ✓ Confirmed 356 Disabled/Displaced Student Scholarship Awards. Processed 428 Disabled/Displaced Student Eligibility Applications.
  - ✓ Approved 73 new charities as Qualified Charitable Organizations 12 new charities as Qualified Charitable Foster Care Organizations for purposes of the income tax credit for contributions to charities that provide assistance to the working poor.
  - ✓ Approved 12 Renewable Energy Production Tax Credit applications.
- ✓ Administered the fiscal year 2014 Employee Satisfaction Survey.
- ✓ Conducted the fiscal year 2015 Strategic Planning Process.
- The License and Registration team processed 40,269 applications with an average turnaround time of 8.0 days. Nearly 54% of these licenses were completed online. The team also processed another 14,514 account update and maintenance requests.
- Additionally, the License and Registration Maintenance Unit (MU) answered 22,114 calls, responded to problem resolution issues and emails, processed 3,277 taxpayers bonds totaling more than \$25 million and collected another \$29,872 in delinquencies. Finally, the Customer Service (CS) team assisted more than 15,000 walk-in customers over the counter and cashiered over \$410 million in payments.
- Taxpayer Information and Assistance accomplishments include:
  - ✓ Answered 298,763 calls.
  - ✓ Replied to 5,947 emails.
  - ✓ Assisted 37,891 customers at the lobby windows.
  - ✓ Assisted 12,236 customers at the TIA walk-in offices.
  - ✓ Responded to 10,282 Tax Practitioner Hotline inquiries.
  - ✓ Responded to 11,437 written inquiries.
  - ✓ Processed 11,282 Power of Attorney forms.
  - ✓ Answered 2,378 switchboard calls.





# TAX POLICY AND RESEARCH

The Division provides administrative tax policy for the department, legal and interpretive support, case resolution and advocacy for the various divisions within the department. The division also acts as liaison to the Attorney General's Tax Section and coordinates the defense of litigation with the Tax Section attorneys. The division provides additional support to the director on an as-needed basis, including services in the area of protecting taxpayer confidentiality and privacy and also reviews all requests for public records. The division consists of Corporate Appeals, Individual Income Appeals, Transaction Privilege Tax Appeals, and the Tax Research & Analysis Section.

## **Tax Research & Analysis**

The Tax Research & Analysis Section reviews, analyzes, develops and disseminates administrative tax policy for the department. The section also researches questions presented by other sections within the department, the Governor's office, and the Legislature. The section is responsible for drafting substantive policy statements (rulings and procedures), as well as private taxpayer rulings. The section also responds to technical and complex inquiries by telephone and issues taxpayer information letters. The section is responsible for maintaining consistency in interpretation of policy and interpretation within the department.

The section reviews and analyzes legislation, assists the department in setting tax policy, and develops and promulgates administrative rules. Additionally, the section provides policy support for the Audit Division and provides guidance and interpretative advice to other divisions within the department.

## **Tax Appeals**

The office consists of three appeals sections: Transaction Privilege & Use Tax, Corporate Income Tax and Individual Income Tax.

The Transaction Privilege & Use Tax (TPT) Appeals Section is headed by the department's General Counsel and includes the TPT Protest unit. TPT Appeals assists the Transaction Privilege and

Use Tax Audit Section with case refinement and resolution services at the informal hearing as well as advocating the audit section's position in cases before the State Office of Administrative Hearings (OAH), the department's Hearing Office, and the director. It also represents the department at OAH in matters involving other issues, such as tobacco, luxury tax, and administrative determinations. The section also assists the Tax Section of the Attorney General's Office with preparation of cases being heard before the Board of Tax Appeals, Tax Court and the appellate courts.

The Corporate Income Tax Appeals Section reviews cases from the Corporate Income Audit Section and provides case refinement, resolution and advocacy services for those cases. The section works hand-in-hand with the Corporate Audit Section, represents the Corporate Audit Section in informal hearings, before the Hearing Office, and before the director. The section also assists the Tax Section of the Attorney General's Office with preparation and research of cases being heard before the Board of Tax Appeals, Tax Court and the appellate courts. In addition, staff testifies at various levels of the appeals process. The section provides interpretative advice to the Corporate Income Audit staff.

The Individual Income Tax Appeals Section reviews cases from the Individual Income Audit Section and provides case refinement, resolution and advocacy services for those cases, and represents the Individual Income Audit Section before the Hearing Office and before the director. The section also provides interpretative advice to the Individual Income Audit Staff. The section also assists the Tax Section of the Attorney General's Office with preparation and research of cases being heard before the Board of Tax Appeals, Tax Court and the appellate courts. In addition, the staff testifies at various levels of the appeals process.



# ARIZONA'S TAXES

Revenue Summary (Table 1)

Net Revenue to State General Fund (Table 2)

Gross Collections of Audit Assessments and Delinquent Tax (Table 3)

Transaction Privilege, Use and Severance Tax

Income Tax

Property Tax



**TABLE 1  
REVENUE SUMMARY  
GROSS REVENUE COLLECTED  
FISCAL YEAR 2009-10 THROUGH FISCAL YEAR 2013-14**

SOURCE	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14
<b>TRANSACTION PRIVILEGE USE AND SEVERANCE TAX</b>					
Distribution Base	\$1,427,991,054	\$1,493,036,999	\$1,569,903,646	\$1,644,471,588	\$1,750,515,866
Nonshared Portion	2,653,983,212	2,719,128,171	2,852,297,332	2,994,447,622	3,186,969,414
Use Tax	271,763,845	229,250,912	263,724,399	257,899,313	235,984,933
Education Tax	504,391,092	514,345,951	542,394,529	567,824,410	601,853,602
Temporary Tax (4)	544,136	835,801,251	912,966,857	965,620,521	8,422,920
Undistributed Estimated					
Transaction Privilege Tax	26,197,663	36,915,698	20,235,301	(25,356,945)	(25,642,747)
Other State Revenue	24,955,212	25,467,086	23,913,439	32,116,438	41,685,649
County and City Collections	1,072,323,109	1,097,227,224	1,145,303,425	1,223,217,366	\$1,303,960,087
<b>Subtotal</b>	<b>\$5,982,149,321</b>	<b>\$6,951,173,293</b>	<b>\$7,330,738,929</b>	<b>\$7,660,240,313</b>	<b>\$7,103,749,724</b>
<b>INCOME TAX</b>					
Withholding	3,017,256,893	3,234,666,688	3,343,314,942	3,459,818,705	3,580,656,587
Individual	768,011,214	867,110,332	1,027,389,330	1,170,646,638	1,131,393,794
Corporate	650,925,393	659,266,690	758,413,453	755,002,081	705,727,107
<b>Subtotal</b>	<b>\$4,436,193,500</b>	<b>\$4,761,043,709</b>	<b>\$5,129,117,725</b>	<b>\$5,385,467,424</b>	<b>\$5,417,777,487</b>
<b>LUXURY TAX</b>					
Spirituos Liquor	29,304,713	28,202,704	31,847,105	32,184,954	\$33,588,102
Vinous Liquor	13,881,407	13,596,155	15,430,577	15,155,547	15,583,934
Malt Liquor	22,232,715	21,566,369	21,101,489	21,343,360	21,974,061
Tobacco - All Types (1)	340,839,935	340,754,224	337,777,289	331,347,184	\$327,788,207
Licensing	7,900	7,710	7,925	7,825	8,198
<b>Subtotal</b>	<b>\$406,266,670</b>	<b>\$404,127,163</b>	<b>\$406,164,385</b>	<b>\$400,038,871</b>	<b>\$398,942,502</b>
<b>ESTATE TAX</b>					
Estate (3)	363,755	437,372	200,825	-----	-----
Unclaimed Property	161,637,025	121,263,602	115,160,041	131,397,401	113,119,156
Escheated Estates	320,538	370,786	186,322	327,961	649,079
<b>Subtotal</b>	<b>\$162,321,318</b>	<b>\$122,071,760</b>	<b>\$115,547,188</b>	<b>\$131,725,361</b>	<b>\$113,768,235</b>
<b>OTHER REVENUES</b>					
Bingo	520,655	504,905	508,145	519,998	521,583
Flight Property Tax	9,451,430	9,673,124	10,585,261	7,375,052 (5)	12,974,652 (5)
Private Car Tax	1,335,091	1,283,026	1,065,773	3,698,193 (5)	(1,061,682) (5)
Nuclear Plan Assessment	1,569,091	1,812,420	1,782,028	2,153,517	----- (6)
Waste Tire	7,925,216	8,155,363	8,518,868	8,732,325	\$9,009,694
<b>Subtotal</b>	<b>\$20,801,482</b>	<b>\$21,428,838</b>	<b>\$22,460,074</b>	<b>\$22,479,086</b>	<b>\$21,444,247</b>
<b>TOTAL (2)</b>	<b>\$11,007,732,292</b>	<b>\$12,259,844,763</b>	<b>\$13,004,028,301</b>	<b>\$13,599,951,055</b>	<b>\$13,055,682,195</b>

(1) Figures represent gross tobacco revenue less administrative expenses.

(2) All revenues collected by the Department of Revenue, including those which are later refunded or distributed.

(3) Arizona's estate tax was effectively repealed January 1, 2005, following the elimination of the Federal State Death Tax Credit by Congress.

(4) On May 18, 2010, voters approved Proposition 100 which temporarily increased the state transaction privilege and use tax rates on most transactions by one percentage point beginning June 1, 2010, and ending May 31, 2013.

(5) In FY13, \$2,473,651.23 of the money deposited into Private Car Tax should have been deposited into Flight Property Tax. A correcting transfer was made in FY14.

(6) The Nuclear Plan Assessment revenue was received after the final deposit for FY14.

For additional detail on the current year revenue, please refer to the appropriate section within this report.

Figures may not add to total due to rounding.

**TABLE 2**  
**NET REVENUE TO STATE GENERAL FUND**  
**FISCAL YEAR 2009-10 THROUGH FISCAL YEAR 2013-14**

SOURCE	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14
Transaction Privilege, Use, and Severance Tax	\$3,418,261,171	\$3,463,327,544	\$3,657,481,499	\$3,819,525,185	\$4,026,707,269
Undistributed Estimated Transaction Privilege Tax	26,197,663	8,215,241	17,366,617	(21,908,400)	(25,642,747)
Income Tax	2,200,844,986	2,949,887,110	3,284,084,523	3,514,487,484	\$3,445,061,022
Luxury Tax	55,352,260	53,599,408	56,357,085	56,184,596	58,754,227
Estate Tax (1)	363,755	437,372	200,825	0	0
Unclaimed Property	100,034,835	49,120,855	45,819,445	60,899,609	49,165,753
Bingo	520,655	504,905	508,145	519,998	521,583
Private Car Tax	1,335,091	1,283,026	1,065,773	3,698,193 (2)	(1,061,682) (2)
Nuclear Plan Assessment	1,569,091	1,812,420	1,782,028	2,153,517	0 (3)
<b>Total</b>	<b>\$5,804,479,506</b>	<b>\$6,528,187,881</b>	<b>\$7,064,665,940</b>	<b>\$7,435,560,183</b>	<b>\$7,553,505,425</b>

(1) Arizona's estate tax was effectively repealed January 1, 2005, following the elimination of the Federal State Death Tax Credit by Congress.

(2) This figure includes \$2,473,651.23 that should have been deposited to Flight Property Tax.

(3) The Nuclear Plan Assessment was received after the close of the fiscal year.

Figures may not add to total due to rounding.

**TABLE 3**  
**GROSS COLLECTIONS OF AUDIT ASSESSMENTS AND DELINQUENT TAX**  
**FISCAL YEAR 2012-13 AND FISCAL YEAR 2013-14**

GROSS COLLECTIONS	FY2012-13	FY2013-14	% CHANGE
Collections	\$225,461,821	\$232,213,615	3.0%
Audit	\$158,788,915	\$169,753,549	6.9%
Accounts Receivable	\$145,463,075	\$152,861,783	5.1%
<b>TOTAL GROSS COLLECTIONS</b>	<b>\$529,713,811</b>	<b>\$554,828,947</b>	<b>4.7%</b>
<b>ADJUSTMENTS (1)</b>			
Duplication, Credit Audits and Other Adjustments As Reported	\$25,727,397	\$29,273,937	13.8%
<b>TOTAL ADJUSTED NET ENFORCEMENT COLLECTIONS (2)</b>	<b>\$503,986,414</b>	<b>\$525,555,010</b>	<b>4.3%</b>

(1) Audits resulting in credit adjustments are subtracted to produce an actual figure representing the net gain to the state from the Audit Division's efforts.

(2) Actual amounts resulting from the department's enforcement effort.





# **TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX**

## **MAJOR FEATURES**

Arizona's transaction privilege, use and severance taxes are imposed on the privilege of transacting business in the state.

During fiscal year 2014, the state tax rates range from 2.5% to 6.6% depending on the type of business, with most rates at 5.6% (*Refer to Table 5*). Gross revenue exceeding \$7.10 billion was remitted by Transaction Privilege, Severance and Use Tax license holders during fiscal year 2014 (*Refer to Table 4*).

On May 18, 2010, voters approved Proposition 100 which temporarily increased the state transaction privilege and use tax rate on most transactions by one percentage point beginning June 1, 2010 and ending May 31, 2013.

## **SEVERANCE TAX**

A severance tax is imposed in lieu of a transaction privilege tax on the businesses of mining metalliferous mineral. The severance rate is 2.5% on mining metalliferous minerals (*Refer to Table 5*).

## **DISTRIBUTION**

The transaction privilege tax creates a tax base that is divided into two parts, distribution base and non-shared. The distribution base portion is divided among municipalities (25%), counties (40.51%), and the state general fund (34.49%). The non-shared portion is deposited directly to the state general fund (*Refer to Tables 7 and 8*). Use tax is deposited only to the state general fund.

## **USE TAX**

Use tax is imposed on the purchase price of tangible personal property when a transaction privilege tax equal to or greater than the Arizona rate was not paid. A use tax collection responsibility is imposed on retailers whose activities in the state are insufficient to require them to pay transaction privilege tax but are nonetheless substantial enough to fall outside the protective umbrella of the United States Constitutional provision governing interstate commerce. Firms without nexus may also voluntarily collect use tax for the benefit of their customers.

## **MUNICIPAL PRIVILEGE AND USE TAX**

The department collects transaction privilege and use tax for 73 Arizona cities and towns at no charge to the municipalities. This is a service to the cities and to the taxpaying community who are therefore able to combine their reporting requirements on a single form and payment to a single governmental entity. Weekly distribution checks to the cities are processed after the department collects the local taxes (*Refer to Tables 26 and 27*).

## **COUNTY TAX AND SURCHARGE COLLECTION**

All fifteen counties in Arizona levy some type of county tax or surcharge (*Refer to Table 4*). These taxes or surcharges are collected by the department. The rental car surcharge is imposed only in Maricopa and Pima Counties. A tax on hotels located in unincorporated areas of the county is levied in Pima County.

Of the fourteen counties with statutory authority to impose a general excise tax, only thirteen do so. By statute, Maricopa County may not impose an excise tax. Although subject to voter approval, any county may levy a transportation excise tax or road tax. Only four counties, Gila, Maricopa, Pima, and Pinal, do so.

The other types of county excise tax options are a hospital tax, a jail tax, capital projects, and health services district.

**TABLE 4**  
**GROSS TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS**  
**FISCAL YEAR 2009-10 THROUGH FISCAL YEAR 2013-14**

SOURCE	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14
Distribution Base	\$1,427,991,054	\$1,493,036,999	\$1,569,903,646	\$1,644,471,588	\$1,750,515,866
Nonshared	2,653,983,212	2,719,128,171	2,852,297,332	2,994,447,622	3,186,969,414
Use Tax	271,763,845	229,250,912	263,724,399	257,899,313	235,984,933
<b>SUBTOTAL</b>	<b>\$4,353,738,110</b>	<b>\$4,441,416,082</b>	<b>\$4,685,925,377</b>	<b>\$4,896,818,522</b>	<b>\$5,173,470,213</b>
Education Tax	\$504,391,092	\$514,345,951	\$542,394,529	\$567,824,410	\$601,853,602
Temporary Tax (2)	544,136 (1)	835,801,251	912,966,857	965,620,521	8,422,920
Temporary Tax Estimated Payment	-----	28,700,457	2,868,684	(3,448,544)	0
Undistributed Estimated Payment	26,197,663	8,215,241	17,366,617	(21,908,400)	(25,642,747)
Telecommunications Devices	6,086,692	6,452,762	4,857,379	4,587,729	4,865,666
911 Excise	16,453,500	16,606,135	16,481,762	16,425,768	17,109,403
Municipal Water	2,392,765	2,377,136	2,545,748	2,427,127	2,428,062
Nursing Facility Assessment (4)	-----	-----	-----	8,673,285	17,262,306
Waste Tire Accounts Receivable Collections	22,255	31,053	28,550	2,529	20,212
<b>GROSS STATE COLLECTIONS</b>	<b>\$4,909,826,212</b>	<b>\$5,853,946,069</b>	<b>\$6,185,435,504</b>	<b>\$6,437,022,947</b>	<b>\$5,799,789,636</b>
Municipal Privilege Tax	\$443,808,996	\$450,148,563	\$466,896,627	\$506,978,968	\$466,978,968
Apache County Excise Tax	1,057,667	1,052,062	1,189,314	1,115,268	1,308,856
Cochise County Excise Tax	7,136,677	6,951,160	6,891,804	6,997,151	6,928,647
Coconino County Excise Tax	10,722,220	11,110,639	11,297,308	11,666,641	12,245,309
Coconino County Jail Tax	10,741,640	11,101,630	11,295,614	11,660,897	12,243,833
Coconino County Capitol Projects Tax	2,676,492	2,773,896	2,814,563	2,913,345	3,058,840
Gila County Excise Tax	2,689,763	2,690,335	2,779,139	2,899,476	3,045,271
Gila County Road Tax	2,799,473	2,766,830	2,879,485	3,005,463	3,131,228
Graham County Excise Tax	1,601,005	1,682,449	1,798,603	1,957,102	2,130,788
Greenlee County Excise Tax	842,107	1,281,394	1,495,734	2,088,094	2,345,102
La Paz County Excise Tax	1,038,469	1,025,763	1,120,855	1,131,747	1,165,099
La Paz County Jail Tax	1,037,994	1,025,659	1,120,853	1,131,743	1,165,098
La Paz County Health Services District (3)	16	(7)	21	32	26
La Paz County Judgment Tax	-----	-----	590,955	1,112,052	2,215,639
Maricopa County Road Tax	671,246	859,919	178,724	(93,903)	(127,766)
Maricopa County Road Tax Extension	298,352,305	308,374,052	323,991,403	341,670,551	365,688,468
Maricopa County Stadium Tax (3)	1,736	252	174	1	6
Maricopa County Jail Tax	107,492,524	111,547,857	117,547,456	124,019,899	133,581,417
Maricopa County Rental Car Surcharge	4,669,860	4,971,979	5,191,681	5,254,869	5,387,697
Mohave County Excise Tax	5,654,783	5,710,609	5,396,008	5,747,761	6,263,993
Navajo County Excise Tax	5,480,598	5,889,027	6,246,077	6,239,089	6,667,433
Pima County Hotel Tax	5,637,658	5,590,968	6,311,778	6,030,600	6,290,212
Pima County Rental Car Surcharge	1,339,960	1,372,901	1,463,761	1,398,973	1,389,855
Pima County R.V. Surcharge	180,969	164,805	145,559	136,195	121,726
Pima County Road Tax	62,936,950	64,540,737	67,504,860	70,893,757	72,390,485
Pinal County Excise Tax	12,130,566	12,032,993	12,449,204	12,761,984	13,594,230
Pinal County Health Services District	2,414,381	2,401,515	2,468,346	2,541,837	2,713,674
Pinal County Road Tax	12,599,660	12,561,088	12,952,327	13,300,223	14,110,597
Santa Cruz County Excise Tax	2,547,860	2,571,487	2,646,194	2,595,978	2,685,361
Santa Cruz County Jail Tax	2,445,901	2,609,373	2,641,677	2,594,044	2,684,802
Yavapai County Excise Tax	11,818,833	11,703,512	12,400,793	13,308,847	14,145,870
Yavapai County Jail Tax	5,908,756	5,850,290	6,199,337	6,653,214	7,072,702
Yuma County Excise Tax	10,463,855	10,761,578	11,230,569	11,610,142	11,710,103
Yuma County Jail Tax	10,463,970	10,761,452	11,230,580	11,610,076	11,710,110
Yuma County Capitol Projects Tax	18,633	37,106	18,947	16,966	3,243
Yuma County Health Services District	2,083,126	2,138,596	2,235,486	2,311,386	2,526,105
Sports & Tourism Authority	20,856,461	21,164,757	22,681,609	27,956,898	25,640,725
<b>COUNTY AND CITY COLLECTIONS</b>	<b>\$1,072,323,109</b>	<b>\$1,097,227,224</b>	<b>\$1,145,303,425</b>	<b>\$1,223,217,366</b>	<b>\$1,303,960,087</b>
<b>TOTAL DEPARTMENT OF REVENUE RECEIPTS</b>	<b>\$5,982,149,321</b>	<b>\$6,951,173,292</b>	<b>\$7,330,738,929</b>	<b>\$7,660,240,313</b>	<b>\$7,103,749,723</b>

(1) The tax was in place for only a portion of the fiscal year. This figure does not represent a full year's collection.

(2) On May 18, 2010, voters approved Proposition 100 which temporarily increased the state transaction privilege and use tax rates on most transactions by one percentage point beginning June 1, 2010, and ending May 31, 2013.

(3) This county tax has expired. Collections are from periods prior to the expiration.

(4) Laws of 2012, Chapter 213 established a Nursing Facility Assessment to be remitted to the Department of Revenue on a quarterly basis. The FY13 figure represents a partial year's collection.

**TABLE 5**  
**STATE TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX RATES**  
**FISCAL YEAR 2013-14**

TAXABLE ACTIVITIES	DISTRIBUTION			TOTAL TAX
	BASE	NONSHARED	EDUCATION	
1. Transporting and Towing	1.0%	4.0%	0.6%	5.6%
2. Nonmetalliferous Mining, Oil and Gas Production	1.0%	2.125%	0.0%	3.1%
4. Utilities	1.0%	4.0%	0.6%	5.6%
5. Communications	1.0%	4.0%	0.6%	5.6%
6. Railroads and Aircraft	1.0%	4.0%	0.6%	5.6%
7/8. Private Car/Pipelines	1.0%	4.0%	0.6%	5.6%
9. Publishing	1.0%	4.0%	0.6%	5.6%
10. Printing	1.0%	4.0%	0.6%	5.6%
11. Restaurants and Bars	2.0%	3.0%	0.6%	5.6%
12. Amusements	2.0%	3.0%	0.6%	5.6%
14. Personal Property Rentals	2.0%	3.0%	0.6%	5.6%
15. Contracting	1.0%	4.0%	0.6%	5.6%
17. Retail	2.0%	3.0%	0.6%	5.6%
19. Mining Severance	2.0%	0.5%	0.0%	2.5%
25. Hotel/Motel Tax	2.75%	2.75%	0.0%	5.5%
29/30. Use and Use Inventory Tax	0.0%	5.0%	0.6%	5.6%
49. Jet Fuel (per gallon)	\$0.0122	\$0.0183	\$0	3.1%
51. Jet Fuel Use (per gallon)	\$0	\$0.0305	\$0	3.1%

**TABLE 6**  
**NET TAXABLE SALES**  
**BY TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX CLASSIFICATIONS (1)**  
**FISCAL YEAR 2009-10 THROUGH FISCAL YEAR 2013-14**

CLASSIFICATION	FY2009-10	% OF TOTAL	FY2010-11	% OF TOTAL	FY2011-12	% OF TOTAL	FY2012-13	% OF TOTAL	FY2013-14	% OF TOTAL
Transporting	\$41,990,223	0.05	\$41,555,032	0.05	\$52,136,905	0.06	\$41,324,471	0.04	\$54,981,256	0.05
Mining, Oil & Gas	102,899,820	0.12	96,513,978	0.11	105,614,045	0.11	115,774,867	0.12	116,677,749	0.11
Mining Severance	1,164,231,217	1.33	1,609,450,811	1.80	1,623,111,320	1.72	1,193,176,084	1.21	1,047,580,204	1.01
Utilities	9,354,244,929	10.70	9,394,361,056	10.52	9,474,520,541	10.05	9,900,237,768	10.07	9,923,489,526	9.57
Communications	3,618,207,813	4.14	2,853,538,386	3.20	3,190,962,329	3.38	3,061,730,365	3.12	2,965,233,344	2.86
Private Car and Pipelines	1,639,838	n/a (2)	1,908,310	n/a (2)	1,186,118	n/a (2)	6,250,408	0.01	5,615,642	0.01
Publishing	103,681,055	0.12	98,343,131	0.11	92,504,602	0.10	84,672,718	0.09	101,751,218	0.10
Job Printing	236,985,401	0.27	266,564,040	0.30	252,603,147	0.27	235,348,616	0.24	321,225,074	0.31
Restaurants and Bars	9,020,794,923	10.32	9,311,826,427	10.43	9,996,824,507	10.60	10,544,419,377	10.73	11,085,651,538	10.69
Amusements	1,051,919,242	1.20	994,092,112	1.11	1,037,058,757	1.10	1,051,580,928	1.07	1,096,945,152	1.06
Commercial Lease (3)	141,375	n/a (2)	1,750	n/a (2)	1,209	n/a (2)	1,706	n/a (2)	1,553	n/a (2)
Personal Property Rentals	3,127,828,157	3.58	3,056,386,064	3.42	3,257,587,929	3.46	3,254,821,525	3.31	3,355,048,345	3.23
Contracting	9,311,612,411	10.65	8,983,260,649	10.06	9,543,335,350	10.12	10,092,875,787	10.27	11,269,502,981	10.86
Retail	42,913,931,049	49.08	45,898,838,365	51.42	48,178,713,977	51.10	51,276,107,347	52.18	55,257,510,004	53.26
Hotel/Motel	1,949,717,696	2.23	2,039,282,838	2.28	2,156,863,685	2.29	2,221,059,419	2.26	2,334,372,656	2.25
Rental Occupancy Tax (4)	(62,113)	n/a (2)	42,581	n/a (2)	(2,602)	0.00 (2)	0	0.00 (2)	(84)	0.00 (2)
Use Tax	5,464,504,380	6.25	4,610,920,668	5.17	5,302,843,816	5.62	5,186,464,365	5.28	4,749,508,210	4.58
Use Tax-Utilities	(35,593,960)	(0.04)	10,039,995	0.01	10,022,025	0.01	10,283,377	0.01	62,511,267	0.06
Membership Camping (4)	9,730	n/a (2)	728	n/a (2)	0	0.00 (2)	0	0.00 (2)	0	0.00 (2)
<b>TOTAL</b>	<b>\$87,428,683,185</b>	<b>100.00</b>	<b>\$89,266,926,922</b>	<b>100.00</b>	<b>\$94,275,887,660</b>	<b>100.00</b>	<b>\$98,276,129,127</b>	<b>100.00</b>	<b>\$103,747,605,636</b>	<b>100.00</b>

(1) Net taxable sales are based upon tax receipts.

(2) Percent of total is less than 0.01%.

(3) Commercial Lease rate dropped to 0% effective July 1, 1997.

(4) Effective November 1, 2006, these rates were repealed.

Figures may not add to total due to rounding.

**TABLE 7**  
**TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS BY CLASS**  
**FISCAL YEAR 2013-14**

CLASSIFICATION	DISTRIBUTION BASE	NONSHARED	TOTAL COLLECTIONS
Transporting	\$549,803	\$2,199,209	\$2,749,012
Nonmetal Mining, Oil and Gas	1,166,777	2,479,402	3,646,180
Mining Severance	20,951,604	5,237,901	26,189,505
Utilities	99,234,895	396,939,581	496,174,476
Communications	29,652,333	118,609,334	148,261,667
Private Car and Pipelines	56,156	224,626	280,782
Publishing	1,017,512	4,070,049	5,087,561
Job Printing	3,212,251	12,849,003	16,061,254
Restaurants and Bars	221,713,031	332,569,546	554,282,577
Amusements	21,938,903	32,908,355	54,847,258
Commercial Lease (1)	25	22	47
Rentals of Personal Property	67,102,297	100,653,083	167,755,380
Contracting	112,673,667	450,694,666	563,368,333
Retail	1,105,150,088	1,657,725,131	2,762,875,219
Hotel/Motel	64,195,248	64,195,248	128,390,496
Use Tax Utilities	625,113	2,500,451	3,125,563
Use Tax	0	235,984,933	235,984,933
License Fees	0	566,886	566,886
Jet Fuel Tax	1,276,165	1,914,247	3,190,412
Jet Fuel Use Tax	0	382,061	382,061
Non Sufficient Funds	0	72,089	72,089
Mandatory EFT Fees	0	178,525	178,525
<b>TOTAL</b>	<b>\$1,750,515,868</b>	<b>\$3,422,954,347</b>	<b>\$5,173,470,215</b>

(1) Commercial Lease rate dropped to 0% effective July 1, 1997.

Figures may not add to total due to rounding.

**TABLE 8  
DISTRIBUTION OF TRANSACTION PRIVILEGE, USE  
AND SEVERANCE TAX COLLECTIONS  
FISCAL YEAR 2013-14**

Net Regular to State General Fund	\$4,026,707,269
Net Estimated Payments to General Fund	(25,642,747)
Net to Cities	437,628,967
Net to Counties	709,133,978
Net to Education Fund	601,853,602
Net to Temporary Tax	8,422,920
911 Wireline/Excise, 911 Wireless, Telecommunications Devices, Nursing Facility Assessment, Municipal Water, and Waste Tire Accounts Receivable Collections	41,685,649
<b>TOTAL GROSS COLLECTIONS</b>	<b>\$5,799,789,637</b>

**ADDITIONAL DISTRIBUTION FROM  
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS  
FISCAL YEAR 2013-14**

Phoenix International Raceway - Highway Improvements	\$416,667
Rio Nuevo	9,486,090 *
Sports and Tourism Authority	5,371,683 *
Tribal Community Colleges	2,625,000
Convention Center	41,000,000
Distribution adjustments for city collections	(91,498)

\* These figures include a reconciliation of June 2013 distributions as well as an estimate of the June 2014 distribution that occurred after the close of the fiscal year.

Figures may not add total due to rounding.

**TABLE 9**  
**TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)**  
**IN APACHE COUNTY FOR THE PERIOD BEGINNING**  
**JULY 1, 2013 AND ENDING JUNE 30, 2014**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>CALCULATED NET TAXABLE INCOME</b>	<b>% CHANGE FROM FY 2012-13</b>	<b>COLLECTIONS</b>
Utilities	\$16,469,736	-7.7%	\$823,487
Communications	19,567,974	2.2%	978,399
Publishing	263,951	58.1%	13,198
Job Printing	118,977	576.6%	5,949
Restaurants and Bars	13,787,669	15.0%	689,383
Rentals of Personal Property	4,672,546	-10.1%	233,627
Contracting (All)	56,054,337	-6.7%	2,802,717
Retail	134,895,927	46.3%	6,744,796
Hotel/Motel	10,197,259	-0.6%	560,849
Other Taxable Activities (2)	45,589,825	NA	2,204,582
<b>TOTAL</b>	<b>\$301,618,202</b>	<b>-5.8%</b>	<b>\$15,056,987</b>

**NUMBER OF ACCOUNTS**  
**FISCAL YEAR 2011-12 THROUGH FISCAL YEAR 2013-14**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>FY2011-12</b>	<b>FY2012-13</b>	<b>FY2013-14</b>
Utilities	20	19	21
Communications	102	108	113
Publishing	17	15	14
Job Printing	12	12	9
Restaurants and Bars	72	66	67
Rentals of Personal Property	157	172	162
Contracting (All)	444	440	446
Retail	1,497	1,602	1,699
Hotel/Motel	88	52	46
Other Taxable Activities (2)	963	1,006	1,011
<b>TOTAL</b>	<b>3,372</b>	<b>3,492</b>	<b>3,588</b>

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

(2) For FY14, different categories have been classified under the Other Taxable Activities compared to FY13.

Figures may not add to total due to rounding.

**TABLE 10**  
**TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)**  
**IN COCHISE COUNTY FOR THE PERIOD BEGINNING**  
**JULY 1, 2013 AND ENDING JUNE 30, 2014**

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2012-13	COLLECTIONS
Utilities	\$162,293,012	-9.3%	\$8,114,651
Communications	53,161,806	-5.3%	2,658,090
Publishing	915,016	2.2%	45,751
Job Printing	1,397,678	122.3%	69,884
Restaurants and Bars	135,391,224	4.5%	6,769,561
Amusements	5,644,976	7.4%	282,249
Rentals of Personal Property	24,744,684	9.5%	1,237,234
Contracting (All)	165,571,174	-1.2%	8,278,559
Retail	796,928,318	-1.2%	39,846,416
Hotel/Motel	31,024,159	-4.1%	1,706,329
Other Taxable Activities	66,649,335	1.8%	3,321,179
<b>TOTAL</b>	<b>\$1,443,721,383</b>	<b>-1.5%</b>	<b>\$72,329,902</b>

**NUMBER OF ACCOUNTS**  
**FISCAL YEAR 2011-12 THROUGH FISCAL YEAR 2013-14**

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2011-12	FY2012-13	FY2013-14
Utilities	57	56	54
Communications	188	187	198
Publishing	25	26	26
Job Printing	27	16	17
Restaurants and Bars	349	335	338
Amusements	55	48	54
Rentals of Personal Property	339	339	355
Contracting (All)	1,117	1,083	1,064
Retail	3,591	3,696	3,872
Hotel/Motel	152	157	155
Other Taxable Activities	1,558	1,576	1,693
<b>TOTAL</b>	<b>7,458</b>	<b>7,519</b>	<b>7,826</b>

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

Figures may not add to total due to rounding.



**TABLE 11**  
**TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)**  
**IN COCONINO COUNTY FOR THE PERIOD BEGINNING**  
**JULY 1, 2013 AND ENDING JUNE 30, 2014**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>CALCULATED NET TAXABLE INCOME</b>	<b>% CHANGE FROM FY 2012-13</b>	<b>COLLECTIONS</b>
Utilities	\$178,847,913	0.3%	\$8,942,396
Communications	57,400,873	-4.3%	2,870,044
Publishing	1,743,784	21.0%	87,189
Job Printing	3,451,692	44.0%	172,585
Restaurants and Bars	388,426,455	5.8%	19,421,323
Amusements	76,547,725	7.5%	3,827,386
Rentals of Personal Property	63,391,877	-4.5%	3,169,594
Contracting (All)	298,942,880	20.5%	14,947,144
Retail	1,044,065,846	2.1%	52,203,292
Hotel/Motel	292,625,643	6.9%	16,094,410
Other Taxable Activities	106,309,741	19.2%	5,231,198
<b>TOTAL</b>	<b>\$2,511,754,427</b>	<b>5.5%</b>	<b>\$126,966,561</b>

**NUMBER OF ACCOUNTS**  
**FISCAL YEAR 2011-12 THROUGH FISCAL YEAR 2013-14**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>FY2011-12</b>	<b>FY2012-13</b>	<b>FY2013-14</b>
Utilities	44	50	44
Communications	222	225	234
Publishing	36	40	35
Job Printing	48	39	44
Restaurants and Bars	486	490	507
Amusements	99	94	87
Rentals of Personal Property	464	459	448
Contracting (All)	1,671	1,609	1,673
Retail	4,614	4,737	4,980
Hotel/Motel	261	291	328
Other Taxable Activities	1,956	2,008	2,032
<b>TOTAL</b>	<b>9,901</b>	<b>10,042</b>	<b>10,412</b>

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

Figures may not add to total due to rounding.

**TABLE 12**  
**TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)**  
**IN GILA COUNTY FOR THE PERIOD BEGINNING**  
**JULY 1, 2013 AND ENDING JUNE 30, 2014**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>CALCULATED NET TAXABLE INCOME</b>	<b>% CHANGE FROM FY 2012-13</b>	<b>COLLECTIONS</b>
Utilities	\$142,837,333	8.2%	\$7,141,867
Communications	18,863,499	-5.3%	943,175
Publishing	566,128	12.4%	28,306
Restaurants and Bars	60,750,463	6.3%	3,037,523
Amusements	2,384,442	28.6%	119,222
Rentals of Personal Property	11,144,375	-18.9%	557,219
Contracting (All)	67,176,149	-13.1%	3,358,778
Retail	271,640,217	5.4%	13,582,011
Hotel/Motel	12,668,091	9.5%	696,745
Other Taxable Activities (2)	104,485,839	NA	3,715,407
<b>TOTAL</b>	<b>\$692,516,536</b>	<b>18.2%</b>	<b>\$33,180,252</b>

**NUMBER OF ACCOUNTS**  
**FISCAL YEAR 2011-12 THROUGH FISCAL YEAR 2013-14**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>FY2011-12</b>	<b>FY2012-13</b>	<b>FY2013-14</b>
Utilities	32	37	30
Communications	159	155	161
Publishing	19	20	17
Restaurants and Bars	171	165	162
Amusements	28	29	29
Rentals of Personal Property	237	231	234
Contracting (All)	796	786	800
Retail	2,257	2,283	2,402
Hotel/Motel	63	69	69
Other Taxable Activities (2)	1,108	1,119	1,182
<b>TOTAL</b>	<b>4,870</b>	<b>4,894</b>	<b>5,086</b>

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

(2) For FY14, different categories have been classified under the Other Taxable Activities compared to FY13.

Figures may not add to total due to rounding.

**TABLE 13**  
**TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)**  
**IN GRAHAM COUNTY FOR THE PERIOD BEGINNING**  
**JULY 1, 2013 AND ENDING JUNE 30, 2014**

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2012-13	COLLECTIONS
Communications	\$11,277,793	-2.4%	\$563,890
Restaurants and Bars	35,327,251	15.6%	1,766,363
Rentals of Personal Property	15,778,693	-0.3%	788,935
Contracting (All)	42,183,577	1.4%	2,109,179
Retail	250,112,846	11.7%	12,505,642
Other Taxable Activities	136,182,146	-21.0%	5,508,694
<b>TOTAL</b>	<b>\$490,862,306</b>	<b>-1.0%</b>	<b>\$23,242,702</b>

**NUMBER OF ACCOUNTS**  
**FISCAL YEAR 2011-12 THROUGH FISCAL YEAR 2013-14**

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2011-12	FY2012-13	FY2013-14
Communications	112	112	118
Restaurants and Bars	64	64	64
Rentals of Personal Property	163	158	164
Contracting (All)	352	334	356
Retail	1,433	1,468	1,596
Other Taxable Activities	951	957	979
<b>TOTAL</b>	<b>3,075</b>	<b>3,093</b>	<b>3,277</b>

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

Figures may not add to total due to rounding.

**TABLE 14**  
**TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)**  
**IN GREENLEE COUNTY FOR THE PERIOD BEGINNING**  
**JULY 1, 2013 AND ENDING JUNE 30, 2014**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>CALCULATED NET TAXABLE INCOME</b>	<b>% CHANGE FROM FY 2012-13</b>	<b>COLLECTIONS</b>
Communications	\$3,996,659	4.9%	\$199,833
Restaurants and Bars	5,944,985	-8.4%	297,249
Rentals of Personal Property	15,847,106	149.9%	792,355
Contracting (All)	137,393,904	28.2%	6,869,695
Retail	215,487,418	-2.5%	10,774,371
Other Taxable Activities	477,306,527	-5.7%	14,351,192
<b>TOTAL</b>	<b>\$855,976,598</b>	<b>0.6%</b>	<b>\$33,284,696</b>

**NUMBER OF ACCOUNTS**  
**FISCAL YEAR 2011-12 THROUGH FISCAL YEAR 2013-14**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>FY2011-12</b>	<b>FY2012-13</b>	<b>FY2013-14</b>
Communications	76	63	62
Restaurants and Bars	23	28	33
Rentals of Personal Property	63	76	86
Contracting (All)	131	140	146
Retail	552	681	754
Other Taxable Activities	428	509	527
<b>TOTAL</b>	<b>1,273</b>	<b>1,497</b>	<b>1,608</b>

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

Figures may not add to total due to rounding.

**TABLE 15**  
**TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)**  
**IN LA PAZ COUNTY FOR THE PERIOD BEGINNING**  
**JULY 1, 2013 AND ENDING JUNE 30, 2014**

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2012-13	COLLECTIONS
Utilities	\$27,724,238	0.5%	\$1,386,212
Communications	6,260,370	-14.3%	313,018
Publication	40,700	-45.2%	2,035
Restaurants and Bars	24,445,727	3.2%	1,222,286
Amusements	452,349	NA	22,617
Rentals of Personal Property	3,002,028	8.9%	150,101
Contracting (All)	27,126,846	11.2%	1,356,342
Retail	135,889,805	3.1%	6,794,490
Hotel/Motel	6,222,583	-6.2%	342,242
Other Taxable Activities (2)	36,644,419	NA	1,830,735
<b>TOTAL</b>	<b>\$267,809,065</b>	<b>6.5%</b>	<b>\$13,420,080</b>

**NUMBER OF ACCOUNTS**  
**FISCAL YEAR 2011-12 THROUGH FISCAL YEAR 2013-14**

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2011-12	FY2012-13	FY2013-14
Utilities	23	22	22
Communications	113	108	105
Publication	15	15	13
Restaurants and Bars	106	92	95
Amusements	NA	10	10
Rentals of Personal Property	137	141	148
Contracting (All)	339	340	357
Retail	1,751	1,766	1,859
Hotel/Motel	53	54	55
Other Taxable Activities (2)	739	741	771
<b>TOTAL</b>	<b>3,276</b>	<b>3,289</b>	<b>3,435</b>

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

(2) For FY14, different categories have been classified under the Other Taxable Activities compared to FY13.

Figures may not add to total due to rounding.

**TABLE 16**  
**TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)**  
**IN MARICOPA COUNTY FOR THE PERIOD BEGINNING**  
**JULY 1, 2013 AND ENDING JUNE 30, 2014**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>CALCULATED NET TAXABLE INCOME</b>	<b>% CHANGE FROM FY 2012-13</b>	<b>COLLECTIONS</b>
Utilities	\$6,251,798,471	0.9%	\$312,589,924
Communications	1,953,314,008	-3.9%	97,665,700
Publishing	69,782,707	29.2%	3,489,135
Job Printing	267,266,946	38.7%	13,363,347
Restaurants and Bars	7,649,063,363	5.6%	382,453,168
Amusements	798,080,542	4.4%	39,904,027
Rentals of Personal Property	2,542,313,403	2.9%	127,115,670
Contracting (All)	7,455,647,810	14.1%	372,782,391
Retail	37,984,151,826	9.2%	1,899,207,591
Hotel/Motel	1,385,433,170	4.5%	76,198,824
Other Taxable Activities	3,798,238,476	-6.5%	187,124,241
<b>TOTAL</b>	<b>\$70,155,090,723</b>	<b>6.8%</b>	<b>\$3,511,894,019</b>

**NUMBER OF ACCOUNTS**  
**FISCAL YEAR 2011-12 THROUGH FISCAL YEAR 2013-14**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>FY2011-12</b>	<b>FY2012-13</b>	<b>FY2013-14</b>
Utilities	147	151	147
Communications	643	653	697
Publishing	239	237	241
Job Printing	758	753	762
Restaurants and Bars	6,833	6,791	6,995
Amusements	719	724	754
Rentals of Personal Property	2,595	2,495	2,536
Contracting (All)	13,836	13,538	13,700
Retail	44,800	44,857	45,491
Hotel/Motel	698	729	768
Other Taxable Activities	10,193	10,475	10,747
<b>TOTAL</b>	<b>81,461</b>	<b>81,403</b>	<b>82,838</b>

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

Figures may not add to total due to rounding.

**TABLE 17**  
**TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)**  
**IN MOHAVE COUNTY FOR THE PERIOD BEGINNING**  
**JULY 1, 2013 AND ENDING JUNE 30, 2014**

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2012-13	COLLECTIONS
Utilities	\$391,673,533	12.7%	\$19,583,677
Communications	77,949,774	-14.0%	3,897,489
Publishing	1,476,410	17.8%	73,820
Job Printing	5,283,427	83.5%	264,171
Restaurants and Bars	237,171,018	7.0%	11,858,551
Amusements	14,090,205	2.8%	704,510
Rentals of Personal Property	47,867,655	-0.8%	2,393,383
Contracting (All)	229,815,080	26.2%	11,505,599
Retail	1,420,676,727	8.6%	71,033,836
Hotel/Motel	46,389,576	9.1%	2,551,427
Other Taxable Activities	105,552,103	-23.6%	4,905,917
<b>TOTAL</b>	<b>\$2,577,945,507</b>	<b>7.5%</b>	<b>\$128,772,381</b>

**NUMBER OF ACCOUNTS**  
**FISCAL YEAR 2011-12 THROUGH FISCAL YEAR 2013-14**

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2011-12	FY2012-13	FY2013-14
Utilities	59	63	59
Communications	172	168	186
Publishing	28	29	28
Job Printing	42	30	36
Restaurants and Bars	449	438	442
Amusements	70	66	65
Rentals of Personal Property	461	457	441
Contracting (All)	1,342	1,295	1,350
Retail	4,770	4,845	5,163
Hotel/Motel	151	140	154
Other Taxable Activities	2,004	1,983	2,103
<b>TOTAL</b>	<b>9,548</b>	<b>9,514</b>	<b>10,027</b>

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

Figures may not add to total due to rounding.

**TABLE 18**  
**TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)**  
**IN NAVAJO COUNTY FOR THE PERIOD BEGINNING**  
**JULY 1, 2013 AND ENDING JUNE 30, 2014**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>CALCULATED NET TAXABLE INCOME</b>	<b>% CHANGE FROM FY 2012-13</b>	<b>COLLECTIONS</b>
Utilities	\$96,849,463	-2.4%	\$4,842,473
Communications	35,617,513	-4.3%	1,780,876
Publishing	792,046	2.7%	39,602
Job Printing	640,571	-8.9%	32,029
Restaurants and Bars	95,984,776	5.7%	4,799,239
Rentals of Personal Property	29,450,060	31.4%	1,472,503
Contracting (All)	130,859,669	21.7%	6,542,983
Retail	888,647,272	5.7%	44,432,364
Hotel/Motel	36,759,123	13.1%	2,021,752
Other Taxable Activities (2)	51,274,931	NA	2,536,802
<b>TOTAL</b>	<b>\$1,366,875,425</b>	<b>7.1%</b>	<b>\$68,500,622</b>

**NUMBER OF ACCOUNTS**  
**FISCAL YEAR 2011-12 THROUGH FISCAL YEAR 2013-14**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>FY2011-12</b>	<b>FY2012-13</b>	<b>FY2013-14</b>
Utilities	41	43	35
Communications	144	145	158
Publishing	20	26	23
Job Printing	21	14	17
Restaurants and Bars	237	227	227
Rentals of Personal Property	298	280	284
Contracting (All)	907	862	877
Retail	2,755	2,890	3,018
Hotel/Motel	142	134	141
Other Taxable Activities (2)	1,331	1,356	1,400
<b>TOTAL</b>	<b>5,896</b>	<b>5,977</b>	<b>6,180</b>

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

(2) For FY14 more categories have been classified under the Other Taxable Activities compared to FY13

Figures may not add to total due to rounding.



**TABLE 19**  
**TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)**  
**IN PIMA COUNTY FOR THE PERIOD BEGINNING**  
**JULY 1, 2013 AND ENDING JUNE 30, 2014**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>CALCULATED NET TAXABLE INCOME</b>	<b>% CHANGE FROM FY 2012-13</b>	<b>COLLECTIONS</b>
Utilities	\$1,398,776,577	-4.8%	\$69,938,829
Communications	427,448,389	3.1%	21,372,419
Publishing	16,680,920	-3.1%	834,046
Job Printing	31,343,345	10.0%	1,567,167
Restaurants and Bars	1,589,480,146	2.5%	79,474,007
Amusements	98,018,983	-3.5%	4,900,949
Rentals of Personal Property	384,591,893	1.8%	19,229,595
Contracting (All)	1,490,477,812	3.0%	74,523,891
Retail	7,741,592,337	3.8%	387,079,617
Hotel/Motel	299,089,104	5.2%	16,449,901
Other Taxable Activities	737,487,972	-13.0%	29,616,597
<b>TOTAL</b>	<b>\$14,214,987,477</b>	<b>1.5%</b>	<b>\$704,987,017</b>

**NUMBER OF ACCOUNTS**  
**FISCAL YEAR 2011-12 THROUGH FISCAL YEAR 2013-14**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>FY2011-12</b>	<b>FY2012-13</b>	<b>FY2013-14</b>
Utilities	91	87	83
Communications	314	316	333
Publishing	82	80	78
Job Printing	149	131	133
Restaurants and Bars	1,738	1,684	1,700
Amusements	222	223	206
Rentals of Personal Property	1,000	966	945
Contracting (All)	4,504	4,421	4,440
Retail	14,352	14,349	14,642
Hotel/Motel	267	282	292
Other Taxable Activities	4,082	4,165	4,224
<b>TOTAL</b>	<b>26,801</b>	<b>26,704</b>	<b>27,076</b>

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

Figures may not add to total due to rounding.

**TABLE 20**  
**TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)**  
**IN PINAL COUNTY FOR THE PERIOD BEGINNING**  
**JULY 1, 2013 AND ENDING JUNE 30, 2014**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>CALCULATED NET TAXABLE INCOME</b>	<b>% CHANGE FROM FY 2012-13</b>	<b>COLLECTIONS</b>
Utilities	\$479,454,723	-5.3%	\$23,972,736
Communications	123,866,770	-2.9%	6,193,339
Publishing	4,111,155	13.4%	205,558
Restaurants and Bars	261,963,051	4.7%	13,098,153
Amusements	43,609,346	10.1%	2,180,467
Rentals of Personal Property	68,791,302	-3.7%	3,439,565
Contracting (All)	481,230,778	21.1%	24,061,539
Retail	1,203,983,382	9.6%	60,199,169
Hotel/Motel	20,856,944	2.4%	1,147,132
Other Taxable Activities (2)	251,488,005	NA	9,863,890
<b>TOTAL</b>	<b>\$2,939,355,457</b>	<b>7.2%</b>	<b>\$144,361,548</b>

**NUMBER OF ACCOUNTS**  
**FISCAL YEAR 2011-12 THROUGH FISCAL YEAR 2013-14**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>FY2011-12</b>	<b>FY2012-13</b>	<b>FY2013-14</b>
Utilities	79	77	82
Communications	206	208	218
Publishing	28	29	31
Restaurants and Bars	465	439	430
Amusements	90	99	94
Rentals of Personal Property	451	447	450
Contracting (All)	2,721	2,718	2,833
Retail	4,782	4,904	5,116
Hotel/Motel	109	113	108
Other Taxable Activities	1,955	1,948	2,031
<b>TOTAL</b>	<b>10,886</b>	<b>10,982</b>	<b>11,393</b>

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

(2) For FY14 more categories have been classified under the Other Taxable Activities compared to FY13.

Figures may not add to total due to rounding.

**TABLE 21**  
**TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)**  
**IN SANTA CRUZ COUNTY FOR THE PERIOD BEGINNING**  
**JULY 1, 2013 AND ENDING JUNE 30, 2014**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>CALCULATED NET TAXABLE INCOME</b>	<b>% CHANGE FROM FY 2012-13</b>	<b>COLLECTIONS</b>
Utilities	\$52,909,981	9.3%	\$2,645,499
Communications	21,758,501	-4.8%	1,087,925
Publications	95,627	-25.5%	4,781
Job Printing	285,653	2.9%	14,283
Restaurants and Bars	49,687,424	3.4%	2,484,371
Amusements	3,853,014	-17.3%	192,651
Rentals of Personal Property	11,679,569	-0.5%	583,978
Contracting (All)	58,456,643	-4.9%	2,922,832
Retail	323,634,815	6.6%	16,181,741
Hotel/Motel	11,823,884	-14.5%	650,314
Other Taxable Activities	23,932,598	-4.9%	1,191,423
<b>TOTAL</b>	<b>\$558,117,711</b>	<b>3.3%</b>	<b>\$27,959,798</b>

**NUMBER OF ACCOUNTS**  
**FISCAL YEAR 2011-12 THROUGH FISCAL YEAR 2013-14**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>FY2011-12</b>	<b>FY2012-13</b>	<b>FY2013-14</b>
Utilities	22	17	18
Communications	129	131	139
Publications	13	14	14
Job Printing	19	12	17
Restaurants and Bars	133	132	139
Amusements	22	21	20
Rentals of Personal Property	228	224	239
Contracting (All)	583	542	579
Retail	2,119	2,198	2,374
Hotel/Motel	40	44	46
Other Taxable Activities	1,001	1,030	1,052
<b>TOTAL</b>	<b>4,309</b>	<b>4,365</b>	<b>4,637</b>

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

Figures may not add to total due to rounding.

**TABLE 22**  
**TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)**  
**IN YAVAPAI COUNTY FOR THE PERIOD BEGINNING**  
**JULY 1, 2013 AND ENDING JUNE 30, 2014**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>CALCULATED NET TAXABLE INCOME</b>	<b>% CHANGE FROM FY 2012-13</b>	<b>COLLECTIONS</b>
Utilities	\$325,399,403	0.8%	\$16,269,970
Communications	92,558,129	-0.6%	4,627,906
Publishing	3,157,148	15.3%	157,857
Job Printing	5,370,791	56.0%	268,540
Restaurants and Bars	306,088,040	7.1%	15,304,402
Amusements	31,765,072	17.5%	1,588,254
Rentals of Personal Property	55,803,285	12.4%	2,790,164
Contracting (All)	361,070,303	5.2%	18,053,515
Retail	1,482,466,647	6.8%	74,123,332
Hotel/Motel	119,540,897	11.0%	6,574,749
Other Taxable Activities	298,885,054	5.3%	10,210,505
<b>TOTAL</b>	<b>\$3,082,104,770</b>	<b>6.0%</b>	<b>\$149,969,195</b>

**NUMBER OF ACCOUNTS**  
**FISCAL YEAR 2011-12 THROUGH FISCAL YEAR 2013-14**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>FY2011-12</b>	<b>FY2012-13</b>	<b>FY2013-14</b>
Utilities	77	82	78
Communications	210	214	230
Publishing	49	50	53
Job Printing	55	53	63
Restaurants and Bars	643	620	642
Amusements	87	95	98
Rentals of Personal Property	463	466	476
Contracting (All)	2,255	2,256	2,326
Retail	6,265	6,356	6,658
Hotel/Motel	209	210	212
Other Taxable Activities	2,064	2,134	2,297
<b>TOTAL</b>	<b>12,377</b>	<b>12,536</b>	<b>13,133</b>

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

Figures may not add to total due to rounding.

**TABLE 23**  
**TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)**  
**IN YUMA COUNTY FOR THE PERIOD BEGINNING**  
**JULY 1, 2013 AND ENDING JUNE 30, 2014**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>CALCULATED NET TAXABLE INCOME</b>	<b>% CHANGE FROM FY 2012-13</b>	<b>COLLECTIONS</b>
Utilities	\$260,368,891	1.7%	\$13,018,445
Communications	62,191,285	-4.5%	3,109,564
Publications	1,915,390	17.6%	95,770
Restaurants and Bars	232,139,945	3.1%	11,606,997
Amusements	13,685,580	NA	684,279
Rentals of Personal Property	75,969,869	8.4%	3,798,493
Contracting (All)	264,717,521	-10.7%	13,235,876
Retail	1,363,336,622	3.0%	68,166,831
Hotel/Motel	45,376,481	-6.3%	2,495,706
Other Taxable Activities (2)	81,145,382	NA	3,987,050
<b>TOTAL</b>	<b>\$2,400,846,968</b>	<b>0.6%</b>	<b>\$120,199,012</b>

**NUMBER OF ACCOUNTS**  
**FISCAL YEAR 2011-12 THROUGH FISCAL YEAR 2013-14**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>FY2011-12</b>	<b>FY2012-13</b>	<b>FY2013-14</b>
Utilities	36	39	35
Communications	194	191	200
Publications	18	24	19
Restaurants and Bars	371	339	356
Amusement	NA	54	41
Rentals of Personal Property	426	413	411
Contracting (All)	961	963	957
Retail	3,837	3,905	4,053
Hotel/Motel	109	102	102
Other Taxable Activities (2)	1,812	1,779	1,864
<b>TOTAL</b>	<b>7,764</b>	<b>7,809</b>	<b>8,038</b>

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

(2) For FY14, more categories have been classified under the Other Taxable Activities compared to FY13.

Figures may not add to total due to rounding.

**TABLE 24**  
**STATE TRANSACTION PRIVILEGE AND SEVERANCE TAX**  
**DISTRIBUTION TO COUNTIES**  
**FISCAL YEAR 2009-10 THROUGH FISCAL YEAR 2013-14**

COUNTY	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14	% CHANGE FROM FY 2012-13
Apache	\$3,985,796	\$4,116,316	\$4,148,680	\$4,339,846	\$4,744,332	9.3%
Coconino	14,350,374	15,586,920	17,035,207	17,805,463	19,091,249	7.2%
Cochise	10,616,654	10,880,090	10,964,080	12,165,517	11,890,286	-2.3%
Gila	4,225,153	4,381,303	4,614,778	4,752,150	5,116,965	7.7%
Graham	3,321,780	3,234,712	3,624,351	3,606,256	3,728,358	3.4%
Greenlee	3,337,405	3,945,202	4,376,829	4,983,640	5,091,702	2.2%
La Paz	1,654,035	1,717,668	1,941,213	2,116,238	2,265,894	7.1%
Maricopa	367,202,478	383,243,745	398,827,938	416,999,312	446,491,690	7.1%
Mohave	17,295,217	17,551,555	17,391,271	18,652,134	20,389,267	9.3%
Navajo	8,831,817	9,326,061	9,605,663	10,088,685	10,764,687	6.7%
Pima	84,769,872	88,630,774	92,723,932	97,196,166	101,665,722	4.6%
Pinal	18,910,351	20,318,239	26,600,160	27,498,147	29,395,885	6.9%
Santa Cruz	3,709,093	3,874,088	4,062,329	4,216,541	4,450,552	5.5%
Yavapai	20,676,049	21,703,058	22,955,984	23,792,545	25,284,422	6.3%
Yuma	15,593,103	16,319,557	17,095,552	17,962,799	18,762,967	4.5%
<b>TOTAL</b>	<b>\$578,479,176</b>	<b>\$604,829,288</b>	<b>\$635,967,967</b>	<b>\$666,175,440</b>	<b>\$709,133,978</b>	<b>6.4%</b>

Figures may not add to totals due to rounding.

TABLE 25  
STATE TRANSACTION PRIVILEGE AND SEVERANCE TAX  
DISTRIBUTION TO MUNICIPALITIES  
FISCAL YEAR 2013-14

CITIES	AMOUNT	COUNTY TOTAL	CITIES	AMOUNT	COUNTY TOTAL
<b>APACHE</b>					
Eagar	\$425,204		Scottsdale	\$18,921,791	
Springerville	170,691		Surprise	10,229,004	
St. Johns	302,909	\$898,804	Tempe	14,076,468	
<b>COCHISE</b>					
Benson	\$444,353		Tolleson	569,695	
Bisbee	485,263		Wickenburg	553,854	
Douglas	1,545,858		Youngtown	535,835	\$307,916,551
Huachuca City	161,291		<b>MOHAVE</b>		
Sierra Vista	3,820,133		Bullhead City	\$3,441,671	
Tombstone	120,119		Colorado City	419,633	
Willcox	327,019	\$6,904,037	Kingman	2,443,116	
<b>COCONINO</b>					
Flagstaff	\$5,733,507		Lake Havasu City	4,572,096	\$10,876,516
Fredonia	114,374		<b>NAVAJO</b>		
Page	630,799		Holbrook	\$439,827	
Tusayan	48,570		Pinetop-Lakeside	372,717	
Williams	263,130	\$6,790,381	Show Low	927,876	
<b>GILA</b>					
Globe	\$655,606		Snowflake	486,569	
Hayden	57,623		Taylor	357,920	
Miami	159,897		Winslow	840,398	\$3,425,307
Payson	1,331,841		<b>PIMA</b>		
Star Valley	201,069		Marana	\$3,043,102	
Winkelman	30,726	\$2,436,762	Oro Valley	3,569,711	
<b>GRAHAM</b>					
Pima	\$207,771		Sahuarita	2,198,614	
Safford	832,651		South Tucson	491,966	
Thatcher	423,463	\$1,463,885	Tucson	45,272,335	\$54,575,727
<b>GREENLEE</b>					
Clifton	\$288,199		<b>PINAL</b>		
Duncan	60,582	\$348,780	Apache Junction	\$3,119,613	
<b>LA PAZ</b>					
Parker	\$268,353		Casa Grande	4,227,755	
Quartzsite	320,056	\$588,409	Coolidge	1,029,281	
<b>MARICOPA</b>					
Avondale	\$6,635,966		Eloy	1,447,608	
Buckeye	4,428,388		Florence	2,222,724	
Carefree	292,725		Kearny	169,733	
Cave Creek	436,520		Mammoth	124,123	
Chandler	20,604,292		Maricopa	3,784,793	
El Mirage	2,767,698		Superior	246,940	\$16,372,569
Fountain Hills	1,957,505		<b>SANTA CRUZ</b>		
Gila Bend	167,296		Nogales	\$1,813,710	
Gilbert	18,118,706		Patagonia	79,470	\$1,893,180
Glendale	19,734,423		<b>YAVAPAI</b>		
Goodyear	5,681,717		Camp Verde	\$946,416	
Guadalupe	480,737		Chino Valley	941,542	
Litchfield Park	476,646		Clarkdale	356,615	
Mesa	38,215,342		Cottonwood	980,537	
Paradise Valley	1,115,888		Dewey-Humboldt	338,944	
Peoria	13,410,244		Jerome	38,647	
Phoenix	126,211,277		Prescott	3,468,045	
Queen Creek	2,294,534		Prescott Valley	3,379,174	
<b>YUMA</b>					
<b>TOTAL</b>					
				\$437,628,967	\$437,628,967

City Distributions are based on relative population.  
Figures may not add to total due to rounding.

TABLE 26  
MUNICIPAL PRIVILEGE TAX COLLECTION PROGRAM  
COLLECTIONS BY CITY  
FISCAL YEAR 2013-14

CITY	RATE * (PERCENT)	COLLECTIONS	CITY	RATE * (PERCENT)	COLLECTIONS
Apache Junction (1)		\$11,024	Miami	2.50	\$382,505
Benson	2.50	2,969,291	Oro Valley	2.00	15,330,434
Bisbee	2.50	2,029,276	Page	3.00	7,854,872
Buckeye	3.00	17,042,149	Paradise Valley	2.50	12,915,450
Bullhead City (2)		55,525	Parker	2.00	1,232,027
Camp Verde	3.00	2,594,832	Patagonia	3.00	209,503
Carefree	3.00	2,853,766	Payson	2.12	6,435,777
Casa Grande	2.00	20,188,802	Pima	2.00	276,032
Cave Creek	3.00	6,308,543	Pinetop-Lakeside	2.50	3,484,164
Chino Valley	4.00	4,927,065	Prescott Valley	2.33	13,433,740
Clarkdale	3.00	867,591	Quartzsite	2.50	1,193,514
Clifton	3.00	852,425	Queen Creek	2.25	18,415,324
Colorado City	2.00	258,246	Safford	2.50	6,607,750
Coolidge	3.00	5,104,318	Sahuarita	2.00	6,828,649
Cottonwood	3.00	12,185,715	St. Johns	3.00	874,436
Dewey-Humboldt	2.00	425,013	San Luis	4.00	6,750,517
Douglas (3)		5,396	Sedona (4)		30,822
Duncan	2.00	140,804	Show Low	2.00	9,931,755
Eagar	3.00	806,886	Sierra Vista	1.75	16,650,008
El Mirage	3.00	6,463,816	Snowflake	2.00	966,657
Eloy	3.00	5,513,224	Somerton (5)		17,477
Florence	2.00	4,084,190	South Tucson	2.50	1,767,858
Fountain Hills	2.60	8,389,449	Springerville	3.00	1,621,871
Fredonia	4.00	346,419	Star Valley	2.00	258,569
Gila Bend	3.00	2,576,749	Superior	4.00	422,851
Gilbert	1.50	66,187,929	Surprise	2.20	38,805,666
Globe	2.00	3,761,295	Taylor	2.00	639,646
Goodyear	2.50	43,103,276	Thatcher	2.50	3,339,155
Guadalupe	4.00	1,738,120	Tolleson	2.50	15,494,880
Hayden	3.00	1,695,926	Tombstone	3.50	925,121
Holbrook	3.00	3,256,878	Tusayan	2.00	2,713,670
Huachuca City	1.50	186,553	Wellton	2.50	1,516,181
Jerome	3.50	701,689	Wickenburg	2.20	2,986,477
Kearny	3.00	538,065	Willcox (6)		5,261
Kingman	2.50	15,484,419	Williams	3.50	4,430,162
Lake Havasu City	2.00	17,493,788	Winkelman	3.50	110,087
Litchfield Park	2.80	4,299,643	Winslow	3.00	6,419,336
Mammoth	2.00	91,274	Youngtown	3.00	1,351,862
Marana	2.00	26,037,249	Yuma	1.70	33,175,771
Maricopa	2.00	9,342,848			
			<b>TOTAL</b>		<b>\$546,725,301</b>

\* Jurisdictions may have levied at more than one rate during the fiscal year. Rate shown is the rate charged on most transactions.

Current rates, are located here: <http://www.azdor.gov/Business/TransactionPrivilegeTax/TPTRates.aspx>

- (1) Effective July 1, 2007, Apache Junction no longer participates in the municipal privilege tax collection program.
- (2) Effective March 1, 2009, Bullhead City no longer participates in the municipal privilege tax collection program.
- (3) Effective October 1, 2010, Douglas no longer participates in the municipal privilege tax collection program.
- (4) Effective January 1, 2011, Sedona no longer participates in the municipal privilege tax collection program.
- (5) Effective February 1, 2011, Somerton no longer participates in the municipal privilege tax collection program.
- (6) Effective March 1, 2011, Willcox no longer participates in the municipal privilege tax collection program.

For those cities who have left the program, collections shown include periods up to the effective date.



**TABLE 27  
MUNICIPAL PRIVILEGE TAX COLLECTION PROGRAM  
FISCAL YEAR 2009-10 THROUGH FISCAL YEAR 2013-14**

FISCAL YEAR	TOTAL COLLECTIONS	NUMBER OF CITIES IN PROGRAM
2009-10	\$443,808,887	76
2010-11	\$450,148,563	73
2011-12	\$466,896,627	73
2012-13	\$506,978,968	73
2013-14	\$546,725,301	73

**NON PROGRAM CITY MUNICIPAL PRIVILEGE TAX COLLECTIONS (1)**

	FY 2011-12	FY 2012-13	FY 2013-14
APACHE JUNCTION	\$10,392,302	\$10,877,057	\$10,962,018
AVONDALE	32,789,899	35,577,512	37,389,523
BULLHEAD CITY	10,163,746	10,336,537	10,820,754
CHANDLER	95,151,159	102,200,516	101,290,665
DOUGLAS	5,790,053	5,389,897	5,461,114
FLAGSTAFF	24,595,088	26,328,187	27,360,279
GLENDALE	97,237,309	124,890,480	135,267,254
MESA	126,777,870	133,506,015	140,049,323
NOGALES	9,841,089	9,835,973	10,046,503
PEORIA	60,719,649	65,950,235	71,237,000
PHOENIX	674,425,999	699,735,964	718,074,238
PRESCOTT	23,721,779	26,932,232	28,228,604
SCOTTSDALE	151,052,744	144,909,078	155,705,177
SEDONA	10,670,880	11,389,664	12,182,879
SOMERTON	1,337,769	1,378,727	did not report
TEMPE	126,124,000	130,087,000	137,074,000
TUCSON	190,629,228	196,209,066	196,486,876
WILLCOX	2,295,667	2,376,729	2,169,901

(1) Pursuant to HB 2513, Chapter 154, Second Regular Session, 2010. This is for informational purposes only as reported by the cities. The department does not collect for these cities.



# INCOME TAX

The State of Arizona imposes two types of income tax: corporate, which applies to incorporated businesses and certain other entities operating in this state; and individual, which is levied upon those persons who reside in or earn income in the state (*Refer to Table 28*).

## **CORPORATE INCOME TAX**

### **MAJOR FEATURES**

Every corporation doing business in Arizona is required to file a corporate income tax return. Corporations filed returns with the state and made payments of \$575.2 million during fiscal year 2014 (*Refer to Table 28*).

## **INDIVIDUAL INCOME TAX**

### **MAJOR FEATURES**

For tax year 2011 filed in 2012, approximately 2.7 million individual filers reported Arizona gross income (defined as federal adjusted gross income) totaling more than \$134.9 billion. Individuals with Arizona gross income of more than \$75,000, in the preceding or current year, are required to file Arizona estimated tax payments. An individual can apply any portion of an income tax refund toward the following year's income tax as an estimated payment.

The graduated rate structure for the 2010 tax year ranged from 2.59 percent to a maximum of 4.54 percent on an individual's income over \$150,000 (or joint income over \$300,000).

## **DISTRIBUTION**

State income tax collections are shared with Arizona municipalities in an Urban Revenue Sharing Program. (*Refer to Tables 28 and 29*).

Voluntary taxpayer contributions to Arizona Wildlife Fund, Child Abuse Prevention Fund, Citizens Clean Elections Fund, Domestic Violence Shelter Fund, I Did Not Pay Enough Fund, National Guard Relief Fund, Neighbors Helping Neighbors Fund, Solutions Teams Assigned to Schools Fund (formerly known as Aid to Education Fund), Special Olympics Fund, Veteran's Donation Fund, and political parties are distributed to the appropriate agency, political party or organization (*Refer to Table 28*).

Pursuant to HB 2001, Chapter 1, 2<sup>nd</sup> Special Session, 2011, \$31.5 million of withholding tax revenues is transferred annually to the Job Creation Withholding Clearing Account.

# CORPORATE AND INDIVIDUAL INCOME TAX CREDITS

## CREDIT

## AVAILABLE TO

### **Agricultural Pollution Control Equipment**

Taxpayers that incur expenses during the taxable year to purchase agricultural pollution control equipment.

### **Agricultural Water Conservation System**

Taxpayers that incur expenses to purchase and install an agricultural water conservation system in Arizona.

### **Airline Bankruptcy Payments**

This credit is a one-time individual income tax credit for tax year 2013. The FAA Modernization and Reform Act allowed individual taxpayers that received qualified airline bankruptcy-related payments between 2001 and 2011 to make contributions to a traditional IRA and treat the contributions as if they were made in the year in which the payments were received. Taxpayers who take advantage of this provision are required to file amended federal income tax returns. Instead of filing Arizona amended returns, taxpayers will be allowed a credit on their 2013 Arizona tax return based on the reduction in tax that would have occurred if they would have been allowed to amend their Arizona 2001 through 2011 tax returns.

### **Contributions to Qualifying Charitable Organizations**

Individual taxpayers that make cash contributions to certain charities that provide help to the working poor. The credit varies depending upon filing status. Taxpayers may also contribute to a Qualifying Foster Care Charitable Organization (QFCO). If a contribution is made to a QFCO, the credit available to the taxpayer varies depending upon filing status.

### **Corporate Contributions to School Tuition Organizations**

Corporate credit that allows taxpayers to make cash contributions to school tuition organizations. The amount of the donation must be pre-approved by the department. There is an annual limit to the aggregate amount of donations made.

### **Corporate Contributions to School Tuition Organizations for Displaced Students with Disabilities**

Corporate credit that allows taxpayers to make cash contributions to school tuition organizations that provides scholarships or grants to displaced students or students with disabilities. The amount of the donation must be pre-approved by the department. There is an annual limit to the aggregate amount of donations made.

### **Defense Contracting**

Taxpayers certified by the Arizona Department of Commerce as a qualified defense contractor for qualified increases in employment.

### **Employing Arizona National Guard Members**

Credit for employers who have an employee that is a member of the Arizona National Guard if the employee is placed on active duty. The credit is \$1,000 for each employee placed on active duty.

### **Employment of TANF Recipients**

Taxpayers that employ recipients of Temporary Assistance for Needy Families (TANF).

### **Enterprise Zone**

Taxpayers whose business is located in an Arizona enterprise zone that have a net increase in qualified employment positions.

### **Environmental Technology Facility**

Taxpayers that incur expenses in constructing a qualified environmental technology manufacturing, producing, or processing facility as describes in ARS § 41-1514.02.

### **Family**

A credit for taxpayers below certain income levels, with differing amounts for different household sizes.

**CREDIT****AVAILABLE TO****Healthy Forest Enterprises**

Businesses that operate a healthy forest enterprise may receive a nonrefundable credit against corporate and individual income tax liabilities. Taxpayers claiming this credit must be certified by the Arizona Commerce Authority (ACA).

**Income Taxes Paid to Another State or Country**

Taxpayers that paid a net income tax to Arizona and another qualified state or foreign country, on the same income.

**Increased Excise Taxes**

A refundable credit for Arizona residents whose federal adjusted gross income is beneath a certain threshold (\$25,000 or less for Married Filing Joint or Head of Household, or \$12,500 for Married Filing Separately or Single) and who cannot be claimed as a dependent by any other taxpayer to mitigate the increase in transaction privilege tax rate for education.

**Investment in Qualified Small Businesses**

Allows a credit for investments in qualified small businesses to individuals. The credit must be pre-approved by the ACA.

**Military Family Relief Fund**

Individual taxpayers that make contributions to the fund which helps service members and their families faced with unforeseen expenses when a loved one becomes a casualty of war. The credit varies depending upon filing status.

**Military Reuse Zone**

Taxpayers with a net increase in employment of full-time employees working in a military reuse zone.

**Motion Picture Productions Costs**

Provides a transferable tax credit against corporate and individual income tax liabilities for motion picture production companies that produce motion pictures completely or partially in Arizona.

**New Employment**

Provides nonrefundable individual and corporate credits for net increases in qualified employment positions in Arizona at a business location in Arizona. The credit must be pre-approved by the ACA.

**Pollution Control**

Taxpayers that purchase real or personal property that is used within Arizona in the taxpayer's trade or business to control or prevent pollution.

**Qualified Health Insurance Plans**

The nonrefundable credit is available to employers who provide qualified health insurance plans or contributions to health savings accounts for its employees who are Arizona residents. The credit amount is \$360 for every employee who is enrolled in the plan.

**Qualified Facilities**

Provides a refundable credit, available in five equal installments, for those that expanded or located a qualified facility in Arizona. The credit must be approved by the ACA. There is an aggregate cap on approvals of \$70 million (in conjunction with the renewable energy industry credit) and a per taxpayer cap of \$30 million. The amount of the credit is 10% of the lesser of the taxpayer's total capital investment in the qualified facility or \$200,000 for each net new full-time employment position at the qualified facility.

**CREDIT****AVAILABLE TO**

<b>Private School Tuition Organizations</b>	Individual taxpayers that made contributions to a school tuition organization that provides scholarships or grants to qualified schools. The credit varies depending upon filing status. An additional credit is available for contributions that exceed the maximum allowable credit depending upon filing status.
<b>Property Tax</b>	A refundable credit for property taxes accrued if certain age and income level conditions are met.
<b>Public School Extra Curricular Activity</b>	Individual taxpayers that make contributions or paid certain fees to public schools in Arizona. The credit varies depending upon filing status.
<b>Recycling Equipment</b>	Taxpayers who acquire and place in service recycling equipment in Arizona. This credit was repealed for corporations not individuals.
<b>Renewable Energy Industry</b>	This credit provides refundable individual and corporate income tax credits for expanding or locating qualified renewable energy operations in this state. The credit must be pre-approved by the ACA.
<b>Renewable Energy Investment and Production for Self-Consumption by Manufacturers</b>	A nonrefundable corporate and individual tax credit for investment in new renewable energy resources that produce energy for self-consumption using renewable resources if the power will be used primarily for manufacturing.
<b>Renewable Energy Production</b>	This credit provides nonrefundable individual and corporate credits for production of electricity by a qualified energy generator that produces electricity using a qualified energy resource. The credit must be pre-approved by the ACA.
<b>Research and Development</b>	A nonrefundable individual and corporate income tax credit for an increase in qualifying research and development expenses conducted in Arizona. There is also a refundable credit for small businesses that must be pre-approved by the ACA.
<b>Research and Development – University Research</b>	This is an additional individual or corporate research and development income tax credit for research conducted through Arizona State University, Northern Arizona University or University of Arizona. This credit requires pre-approval through the Arizona Department of Revenue
<b>School Site Donation</b>	This tax credit is for the donation of real property and improvements to an Arizona school district or Arizona charter school for use as a school or as a site for the construction of a school.
<b>Solar Energy Devices</b>	Individual taxpayers who install a solar energy device in his or her residence located in Arizona.
<b>Solar Energy Devices – Commercial and Industrial Applications</b>	This credit is available to individuals, corporations and S corporations. The credit is 10% of the cost of the installed device, not to exceed \$25,000 with respect to the same building in the same tax year, or \$50,000 in total credits in any given year. The credit must be pre-approved by the ACA.
<b>Solar Liquid Fuel</b>	Provides nonrefundable individual and corporate credits for increased research activities related to solar liquid fuel.

**CREDIT**

**AVAILABLE TO**

**Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets**

Provides a nonrefundable individual or corporate credit for the installation of solar hot water heater plumbing stub outs and electric vehicle recharge outlets in houses or dwelling units constructed by the taxpayer. The houses or dwelling units must be located in Arizona.

**Taxes Paid for Coal Consumed in Generating Electrical Power**

Allows corporate taxpayers a credit equal to 30 percent of the amount paid by the seller or purchaser as transaction privilege tax or use tax for coal sold to the taxpayer that is consumed in the generation of electrical power in Arizona.

**Water Conservation System**

An individual may qualify for this credit if the taxpayer installed a qualifying water conservation system in the taxpayer's residence located in Arizona.

TABLE 28  
INCOME TAX COLLECTIONS  
FISCAL YEAR 2009-10 THROUGH FISCAL YEAR 2013-14

SOURCE	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14	PERCENT OF NET COLLECTIONS IN FY2013-14
<u>Withheld from Wages</u>						
Gross Revenue	\$3,017,256,893	\$3,234,666,688	\$3,343,314,942	\$3,459,818,705	\$3,580,656,587	
Refunds and Charge-offs	(10,152,178)	(7,044,562)	(10,751,762)	(9,321,721)	(11,985,321)	
<b>NET</b>	<b>\$3,007,104,715</b>	<b>\$3,227,622,125</b>	<b>\$3,332,563,180</b>	<b>\$3,450,496,984</b>	<b>\$3,568,671,265</b>	88.4%
<u>Individuals &amp; Fiduciaries</u>						
Gross Revenue	\$768,011,214	\$867,110,332	\$1,027,389,330	\$1,170,646,638	\$1,131,393,794	
Regular Refunds and Charge-offs	(1,351,901,223)	(1,224,167,109)	(1,260,775,055)	(1,222,241,845)	(1,236,793,482)	
<b>NET</b>	<b>(\$583,890,008)</b>	<b>(\$357,056,777)</b>	<b>(\$233,385,726)</b>	<b>(\$51,595,207)</b>	<b>(\$105,399,688)</b>	-2.6%
<u>Corporations</u>						
Gross Revenue	\$650,925,393	\$659,266,690	\$758,413,453	\$755,002,081	\$705,727,107	
Refunds and Charge-offs	(237,644,455)	(98,958,514)	(110,525,973)	(92,975,683)	(130,546,886)	
<b>NET</b>	<b>\$413,280,938</b>	<b>\$560,308,176</b>	<b>\$647,887,480</b>	<b>\$662,026,398</b>	<b>\$575,180,221</b>	14.2%
<b>Subtotal Net Collections</b>	<b>\$2,836,495,645</b>	<b>\$3,430,873,524</b>	<b>\$3,747,064,934</b>	<b>\$4,060,928,175</b>	<b>\$4,038,451,798</b>	100.0%
<b>Less distributions for:</b>						
Urban Revenue Sharing	\$628,644,630	\$474,006,520	\$424,423,442	\$513,584,045	\$561,001,195	
Child Abuse Prevention	220,098	159,694	156,194	158,556	169,281	
Veteran's Donation Fund	69,746	88,604	97,546	103,323	124,357	
Solutions Teams Assigned to Schools (1)	84,117	65,775	67,806	84,949	34,413	
Domestic Violence Shelter	161,673	118,629	122,343	115,625	133,282	
Special Olympics	98,752	72,928	74,582	63,923	68,267	
Wildlife Contributions	202,627	156,130	154,626	143,775	169,110	
Neighbors Helping Neighbors	52,383	33,099	31,315	32,549	34,375	
Clean Elections	6,019,188	6,199,220	6,273,004	579,740	82,845	
National Guard Relief Fund	71,775	48,845	43,577	40,660	39,340	
I Did Not Pay Enough Fund	-----	17,121	14,523	15,124	15,244	
Democratic Party	14,595	10,691	11,597	11,266	11,274	
Libertarian Party	1,162	1,094	568	444	847	
Republican Party	9,335	7,744	8,649	5,986	5,696	
Green Party	578	319	638	518	494	
Americans Elect	-----	-----	-----	210	756	
Job Creation W/H Clearing Acct (2)	-----	-----	31,500,000	31,500,000	31,500,000	
<b>Subtotal Distributions</b>	<b>\$635,650,660</b>	<b>\$480,986,414</b>	<b>\$462,980,411</b>	<b>\$546,440,691</b>	<b>\$593,390,776</b>	
<b>NET REVENUE TO STATE GENERAL FUND</b>	<b>\$2,200,844,986</b>	<b>\$2,949,887,110</b>	<b>\$3,284,084,523</b>	<b>\$3,514,487,484</b>	<b>\$3,445,061,022</b>	
WQARF Distribution	\$7,000,000	\$7,000,000	\$7,000,000	\$7,000,000	\$7,000,000	
Sports and Tourism Authority	\$6,419,515	\$5,810,440	\$6,168,488	\$5,337,915	\$5,519,253	
Use Tax on Income Tax Return (3)	-----	-----	\$1,705,724	\$166,277	\$31,070	

(1) Pursuant to SB 1447, Chapter 251, 1st Regular Session, 2013, monies in the Assistance for Education Fund are to be distributed to fund the Solutions Teams Assigned to Schools.

(2) Pursuant to HB 2001, Chapter 1, 2nd Special Session, 2011, \$31.5m of withholding tax revenues is to be transferred annually to the Job Creation Withholding Clearing Account.

(3) Pursuant to HB 2332, Chapter 128, 1st Regular Session, 2011, taxpayers are to declare their annual amount of use tax on their individual income tax return beginning with taxable year 2011. Pursuant to SB1214, Chapter 323, 2nd Regular Session, 2012, the provision was repealed retroactively to tax years beginning January 1, 2012.

The use tax amount has been adjusted out of Individual Gross Revenue and is included in the Transaction Privilege, Use and Severance tables.

Figures may not add to total due to rounding.



**TABLE 29**  
**EXEMPTIONS, DEDUCTIONS AND CREDITS**  
**TAX YEAR 2009 THROUGH TAX YEAR 2012**

TAX YEAR	PERSONAL EXEMPTION (2)	BLIND EXEMPTION	AGE 65 AND OVER EXEMPTION	DEPENDENT EXEMPTION	STANDARD DEDUCTION LIMIT (1)	MAXIMUM PROPERTY TAX CREDIT	MAXIMUM FAMILY TAX CREDIT
2009	2,100	1,500	2,100	2,300	4,677/9,354	502	240
2010	2,100	1,500	2,100	2,300	4,677/9,354	502	240
2011	2,100	1,500	2,100	2,300	4,703/9,406	502	240
2012	2,100	1,500	2,100	2,300	4,833/9,665	502	240

(1) Amounts shown are for individual and married-filing-jointly returns.

(2) Beginning with tax year 1997, married filers claiming at least one dependent are entitled to an additional \$2,100 personal exemption

**INDIVIDUAL INCOME TAX CREDITS**  
**TAX YEAR 2010 THROUGH TAX YEAR 2012**

CREDIT	TAX YEAR 2010		TAX YEAR 2011		TAX YEAR 2012	
	CLAIMANTS	CREDITS	CLAIMANTS	CREDITS	CLAIMANTS	CREDITS
Agricultural Pollution Control	(1)	(1)	(1)	(1)	5	\$27,350
Agricultural Water Conservation	114	\$729,979	96	\$1,020,611	89	\$1,420,014
Clean Elections	24,908	\$644,314	25,275	\$596,451	28,320	\$537,541
Commercial & Industrial Solar Energy Contributions to Charities that Provide Assistance to the Working Poor	129	\$543,109	119	\$504,027	(2)	(2)
Defense Contracting	61,602	\$16,727,074	66,396	\$18,012,263	78,736	\$21,835,458
Donations to Military Family Relief Fund	0	\$0	0	\$0	-----	-----
Employing National Guard Members	3,052	\$995,849	3,007	\$996,695	2,967	\$989,868
Employment of TANF Recipients	(1)	(1)	(1)	(1)	(1)	(1)
Enterprise Zone	3	\$20,822	(1)	(1)	(1)	(1)
Environmental Technology	100	\$650,253	77	\$340,268	(2)	(2)
Family Tax Credit	(1)	(1)	(1)	(1)	(1)	(1)
Healthy Forest Enterprises	516,513	\$5,594,106	533,345	\$5,905,317	520,448	\$5,399,635
Income Taxes Paid to Other States	0	\$0	0	\$0	0	\$0
Increased Excise Taxes Paid	36,535	\$84,093,029	39,174	\$82,151,564	32,281	\$93,394,010
Investment in Qualified Small Business	656,524	\$35,278,230	672,009	\$35,659,215	638,208	\$33,367,298
Military Reuse Zone	220	\$766,806	223	\$853,710	(2)	(2)
Motion Picture Production & Infrastructure	(1)	(1)	(1)	(1)	(2)	(2)
New Employment Credit	7	\$182,637	4	\$54,053	3	\$11,423
Pollution Control Device	-----	-----	0	\$0	0	\$0
Private School Tuition Organization (3)	3	\$2,466	(2)	(2)	9	\$221,039
Private School Tuition Organization - Switcher (3)	62,940	\$43,183,534	71,792	\$49,100,712	73,854	\$51,892,576
Property Tax	-----	-----	-----	-----	15,994	\$12,579,495
Public School Extra Curricular Activity (3)	17,526	\$6,750,770	18,503	\$7,183,778	18,767	\$7,222,443
Qualified Health Insurance Plans	250,004	\$43,718,717	250,216	\$48,442,987	253,134	\$51,287,359
Recycling Equipment	-----	-----	-----	-----	0	\$0
Renewable Energy Industry - Investment & Employment	0	\$0	0	\$0	0	\$0
Renewable Energy Production	-----	-----	0	\$0	0	\$0
Research and Development Additional Research & Development for University Research	492	\$6,697,689	535	\$6,961,536	173	\$5,176,831
School Site Donation	-----	-----	-----	-----	0	\$0
Solar Energy	30	\$224,989	20	\$89,461	10	\$35,054
Solar Hot Water Heater & Plumbing Stub Outs	11,440	\$5,857,614	8,200	\$5,300,000	(2)	(2)
Solar Liquid Fuel Research & Development	15	\$1,662	24	\$1,876	13	\$1,125
Water Conservation Systems	-----	-----	0	\$0	0	\$0
<b>Total</b>	232	\$104,780	185	\$86,178	(2)	(2)
	<b>1,642,396</b>	<b>\$252,790,723</b>	<b>1,689,212</b>	<b>\$263,298,113</b>	<b>1,663,016</b>	<b>\$285,401,065</b>

(1) Too few claimants to allow release of information without violating confidentiality laws.

(2) Credits claimed for tax years are being reviewed. No data is available at this time.

(3) Data reported is based on donation information provided to the Department of Revenue by the Private School Tuition Organizations and the Public Schools. For the purposes of this report, it is assumed that all credit was used in the tax year.

Figures for all credits shown here are subject to change, due to the verification process.

**TABLE 30**  
**RESIDENT INDIVIDUAL INCOME TAX LIABILITY**  
**BY FEDERAL ADJUSTED GROSS INCOME**  
**TAX YEAR 2011 (1)**

FEDERAL ADJUSTED GROSS INCOME	# OF FILERS	% OF TOTAL	LIABILITY	% OF TOTAL
Negative Income	44,910	1.85%	\$737,828	0.03%
\$0.01 to \$1,999	44,992	1.86%	33,649	0.00%
\$2,000 to \$5,999	122,562	5.06%	73,632	0.00%
\$6,000 to \$9,999	157,794	6.51%	2,771,443	0.10%
\$10,000 to \$13,999	175,196	7.23%	10,360,771	0.37%
\$14,000 to \$19,999	257,184	10.62%	28,658,378	1.01%
\$20,000 to \$24,999	187,176	7.73%	38,098,289	1.35%
\$25,000 to \$29,999	157,835	6.52%	50,122,725	1.77%
\$30,000 to \$39,999	261,815	10.81%	126,894,669	4.48%
\$40,000 to \$49,999	189,507	7.82%	132,792,590	4.69%
\$50,000 to \$74,999	322,102	13.30%	336,077,997	11.86%
\$75,000 to \$99,999	200,851	8.29%	327,267,072	11.55%
\$100,000 to \$199,999	235,305	9.71%	705,301,912	24.90%
\$200,000 to \$499,999	53,991	2.23%	454,851,095	16.06%
\$500,000 to \$999,999	7,608	0.31%	181,401,344	6.40%
\$1,000,000 to \$4,999,999	3,129	0.13%	219,257,167	7.74%
\$5,000,000 and over	298	0.01%	217,872,934	7.69%
<b>TOTAL</b>	<b>2,422,255</b>	<b>100.00%</b>	<b>\$2,832,573,495</b>	<b>100.00%</b>

(1) This summary combines all liability reported on the Arizona Form 140 and 140A Individual Income tax returns for tax year 2011, filed from January 2012 forward.

**TABLE 31**  
**NONRESIDENT/PART YEAR RESIDENT INDIVIDUAL INCOME TAX**  
**LIABILITY BY FEDERAL ADJUSTED GROSS INCOME**  
**TAX YEAR 2011 (1)**

ARIZONA PORTION OF FEDERAL ADJUSTED GROSS INCOME	# OF FILERS	% OF TOTAL	LIABILITY	% OF TOTAL
Negative Income	52,241	20.82%	4,304,057	2.42%
\$0.01 to \$1,999	27,883	11.11%	269,468	0.15%
\$2,000 to \$5,999	37,527	14.96%	1,043,805	0.59%
\$6,000 to \$9,999	25,363	10.11%	1,730,580	0.97%
\$10,000 to \$13,999	18,607	7.42%	2,349,589	1.32%
\$14,000 to \$19,999	19,647	7.83%	4,214,057	2.37%
\$20,000 to \$24,999	11,439	4.56%	3,779,404	2.13%
\$25,000 to \$29,999	8,661	3.45%	3,770,303	2.12%
\$30,000 to \$39,999	12,424	4.95%	7,436,075	4.18%
\$40,000 to \$49,999	8,340	3.32%	7,117,006	4.00%
\$50,000 to \$74,999	12,098	4.82%	15,295,470	8.60%
\$75,000 to \$99,999	6,053	2.41%	11,940,828	6.71%
\$100,000 to \$199,999	6,950	2.77%	24,956,212	14.03%
\$200,000 to \$499,999	2,642	1.05%	24,806,302	13.95%
\$500,000 to \$999,999	582	0.23%	14,435,097	8.12%
\$1,000,000 to \$4,999,999	357	0.14%	26,377,920	14.83%
\$5,000,000 and over	51	0.02%	24,012,342	13.50%
<b>TOTAL</b>	<b>250,865</b>	<b>100.00%</b>	<b>\$177,838,515</b>	<b>100.00%</b>

(1) This summary combines all liability reported on the Arizona Form 140NR and 140PY Individual Income tax returns for tax year 2011, filed from January 2012 forward.

**TABLE 32**  
**CORPORATE INCOME TAX**  
**CORPORATE TAXPAYER BY SIZE OF TAX LIABILITY**  
**TAX YEAR 2011 (1)**

<b>CORPORATE TAX LIABILITY</b>	<b># OF FILERS</b>	<b>% OF TOTAL</b>	<b>LIABILITY</b>	<b>% OF TOTAL</b>
\$50 Minimum	34,412	74.2%	\$1,706,744	0.3%
\$50.01 to \$99.99	897	1.9%	65,278	0.0%
\$100 to \$999.99	4,152	9.0%	1,714,596	0.3%
\$1,000 to \$4,999.99	3,387	7.3%	8,186,431	1.2%
\$5,000 to \$9,999.99	983	2.1%	6,854,474	1.0%
\$10,000 to \$49,999.99	1,409	3.0%	31,802,009	4.7%
\$50,000 to \$99,999.99	368	0.8%	26,561,145	4.0%
\$100,000 to \$499,999.99	515	1.1%	114,713,838	17.1%
\$500,000 to \$999,999.99	102	0.2%	71,617,641	10.7%
\$1,000,000 to \$45,000,000	123	0.3%	407,192,074	60.7%
<b>TOTAL</b>	<b>46,348</b>	<b>100.0%</b>	<b>\$670,414,230</b>	<b>100.0%</b>

**CORPORATE INCOME TAX CREDITS**  
**TAX YEAR 2011**

<b>CREDIT TYPE</b>	<b># OF FILERS</b>	<b>CREDIT USED</b>	<b>CARRYFORWARD AVAILABLE</b>
Agricultural Pollution Control Equipment	0	\$0	\$0
Clean Elections	255	\$1,635	\$0
Commercial & Industrial Solar Energy	11	\$181,978	\$92,642
Contributions to School Tuition Organizations	83	\$12,900,592	\$2,464,583
Contributions to School Tuition Organizations for Disabled/Displaced Students	3	\$170,000	\$0
Defense Contracting	0	\$0	\$0
Employing National Guard Members	5	\$7,000	\$0
Employment of TANF Recipients	8	\$64,550	\$69,694
Enterprise Zone	70	\$5,759,396	\$4,705,162
Environmental Technology	*	*	*
Healthy Forest Enterprises	0	\$0	\$0
Military Reuse Zone	3	\$5,100	\$131,670
Motion Picture Production & Infrastructure	5	\$3,825,900	\$486,894
New Employment Credit	*	*	*
Pollution Control Equipment	17	\$1,364,968	\$4,685,391
Renewable Energy Industry	0	\$0	\$0
Renewable Energy Production	*	*	*
Research & Development	318	\$81,859,853	\$981,177,183
Research & Development - Refundable (2)	54	\$3,939,816	\$0
School Site Donation	*	*	*
Solar Hot Water Heater Plumbing Stub-Outs	0	\$0	\$0
Solar Liquid Fuel Research & Development	0	\$0	\$0
Taxes Paid on Coal Used in Electric Generation	*	*	*
Water Conservation	0	\$0	\$0
<b>TOTAL (3)</b>	<b>792</b>	<b>\$119,606,479</b>	<b>\$1,000,603,121</b>

(1) This summary combines all liability on the Arizona Form 120 Corporate Income Tax returns for tax year 2011 filed from January 2012 forward.

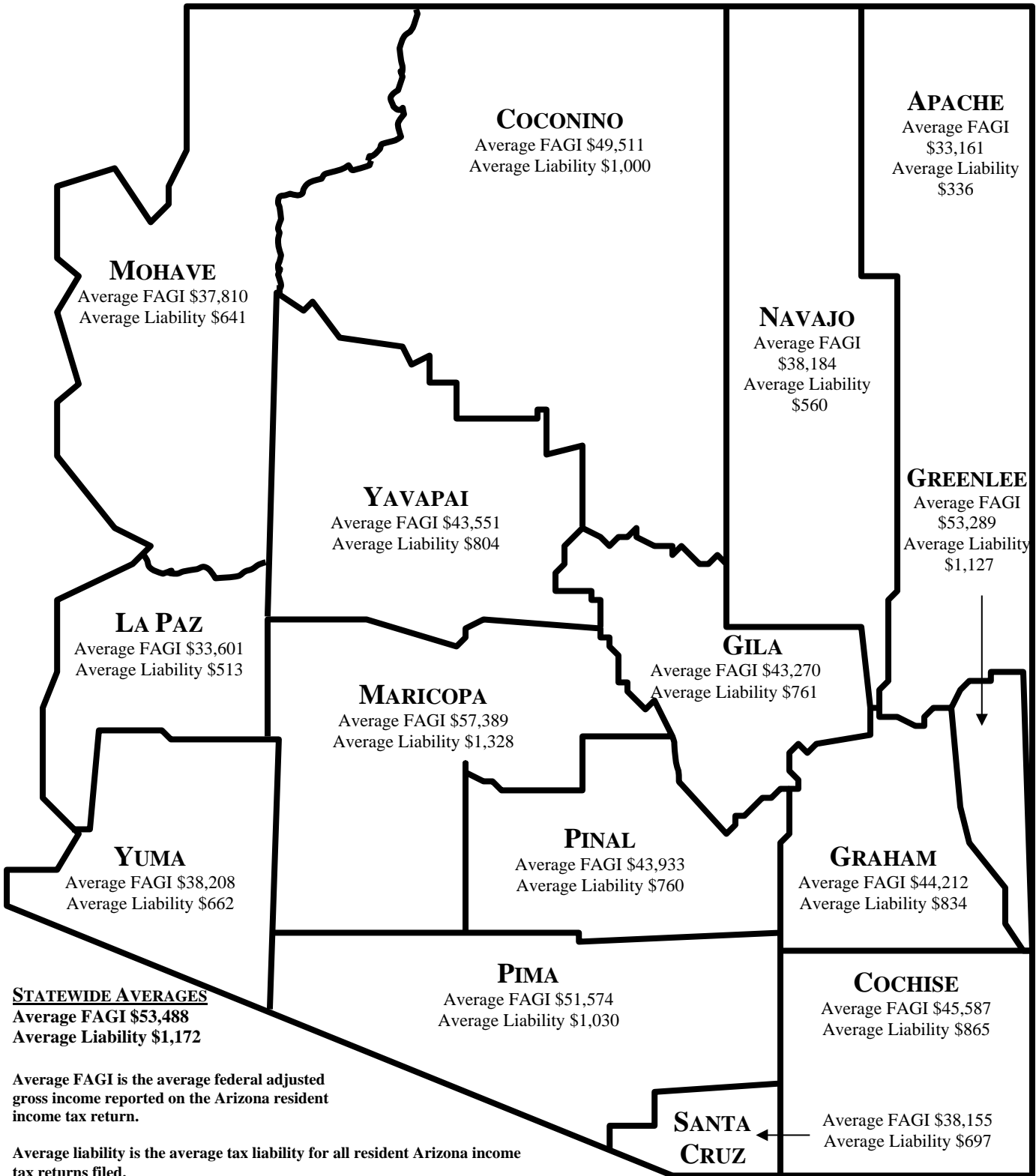
(2) These taxpayers are already included in the research and development credit count.

(3) Total is for all credits, including those for which information cannot be divulged individually.

\* The single asterisk indicates that no information can be released due to confidentiality laws in Arizona.

Figures may not add to total due to rounding.

**TABLE 33  
 AVERAGE FEDERAL ADJUSTED GROSS INCOME  
 AND AVERAGE TAX LIABILITY PER RETURN  
 BY COUNTY FOR TAX YEAR 2011**



**TABLE 34**  
**URBAN REVENUE SHARING**  
**FISCAL YEAR 2009-10 THROUGH FISCAL YEAR 2013-14**

FISCAL YEAR	AMOUNT
2009-10	\$628,644,630
2010-11	\$474,006,520
2011-12	\$424,423,442
2012-13	\$513,584,045
2013-14	\$561,001,194

TABLE 35  
DISTRIBUTION OF INCOME TAX AS URBAN REVENUE SHARING  
TO MUNICIPALITIES IN FISCAL YEAR 2013-14

CITIES BY COUNTY	AMOUNT	% OF TOTAL	CITIES BY COUNTY	AMOUNT	% OF TOTAL
<b>APACHE</b>					
Eagar	\$544,495	0.10%	Queen Creek	\$2,938,268	0.52%
St. Johns	387,890	0.07%	Scottsdale	24,230,317	4.32%
Springerville	218,578	0.04%	Surprise	13,098,761	2.33%
<b>COCHISE</b>			Tempe	18,025,635	3.21%
Benson	\$569,017	0.10%	Tolleson	729,523	0.13%
Bisbee	621,405	0.11%	Wickenburg	709,237	0.13%
Douglas	1,976,038	0.35%	Youngtown	686,164	0.12%
Huachuca City	206,540	0.04%	<b>MOHAVE</b>		
Sierra Vista	4,891,875	0.87%	Bullhead City	\$4,407,235	0.79%
Tombstone*	167,194	0.03%	Colorado City	537,362	0.10%
Willcox	418,765	0.07%	Kingman	3,128,535	0.56%
<b>COCONINO</b>			Lake Havasu City	5,854,801	1.04%
Flagstaff	\$7,342,048	1.31%	<b>NAVAJO</b>		
Fredonia*	167,194	0.03%	Holbrook	\$563,221	0.10%
Page	807,770	0.14%	Pinetop-Lakeside	477,283	0.09%
Tusayan*	167,194	0.03%	Show Low	1,188,192	0.21%
Williams	336,952	0.06%	Snowflake	623,077	0.11%
<b>GILA</b>			Taylor	458,335	0.08%
Globe	\$839,537	0.15%	Winslow	1,076,172	0.19%
Hayden*	167,194	0.03%	<b>PIMA</b>		
Miami	204,778	0.04%	Marana	\$3,896,847	0.69%
Payson	1,705,491	0.30%	Oro Valley	4,571,196	0.81%
Star Valley	257,479	0.05%	Sahuarita	2,815,436	0.50%
Winkelman*	167,194	0.03%	South Tucson	629,987	0.11%
<b>GRAHAM</b>			Tucson	57,973,530	10.33%
Pima	\$266,062	0.05%	<b>PINAL</b>		
Safford	1,066,252	0.19%	Apache Junction	\$3,994,823	0.71%
Thatcher	542,266	0.10%	Casa Grande	5,413,854	0.97%
<b>GREENLEE</b>			Coolidge	1,318,046	0.23%
Clifton	\$369,053	0.07%	Eloy	1,853,736	0.33%
Duncan*	167,194	0.03%	Florence	2,846,311	0.51%
<b>LA PAZ</b>			Kearny	217,352	0.04%
Parker	\$343,639	0.06%	Mammoth*	167,194	0.03%
Quartzsite	409,848	0.07%	Maricopa	4,846,621	0.86%
<b>MARICOPA</b>			Superior	316,220	0.06%
Avondale	\$8,497,693	1.51%	<b>SANTA CRUZ</b>		
Buckeye	5,670,776	1.01%	Nogales	\$2,322,548	0.41%
Carefree	374,849	0.07%	Patagonia*	167,194	0.03%
Cave Creek	558,985	0.10%	<b>YAVAPAI</b>		
Chandler	26,379,401	4.70%	Camp Verde	\$1,211,934	0.22%
El Mirage	3,544,179	0.63%	Chino Valley	1,205,692	0.21%
Fountain Hills	2,506,685	0.45%	Clarkdale	456,663	0.08%
Gila Bend	214,231	0.04%	Cottonwood	1,255,627	0.22%
Gilbert	23,204,633	4.14%	Dewey-Humboldt	434,036	0.08%
Glendale	25,270,933	4.50%	Jerome*	167,194	0.03%
Goodyear	7,275,727	1.30%	Prescott	4,441,008	0.79%
Guadalupe	615,608	0.11%	Prescott Valley	4,327,205	0.77%
Litchfield Park	610,370	0.11%	Sedona	1,118,082	0.20%
Mesa	48,936,692	8.72%	<b>YUMA</b>		
Paradise Valley	1,428,952	0.25%	San Luis	\$3,559,275	0.63%
Peoria	17,172,500	3.06%	Somerton	1,592,467	0.28%
Phoenix	161,579,859	28.80%	Wellton	321,235	0.06%
			Yuma	9,656,745	1.72%

City distributions are based on relative population.

**TOTAL** **\$561,001,194** **100.000%**

\*Population adjusted to reflect minimum requirement of 1,500 per HB 2391, Chapter 290, 2nd Regular Session, 2008

Figures may not add to total due to rounding.





# PROPERTY TAX

In Arizona, property taxation is an "ad valorem" tax (ad valorem, meaning "according to value"). The tax is calculated from two different bases: full cash value (market value) and limited value (i.e., statutorily-controlled value). The full cash value is used to calculate tax rates to pay for voter-initiated bonds, overrides, and special district levies (*Refer to Table 37*). Taxes based upon the limited value provide revenues to maintain the basic operations of state, county and city government, schools, and other public entities (*Refer to Table 36*). Limited values cannot exceed the full cash value of each property. Taxes calculated on the limited value, called primary taxes, are added to those derived from the full cash value, or secondary taxes, to produce the total annual tax bill. All taxable property in Arizona is classified according to its actual use. Each classification is assigned a specific assessment ratio prescribed by law, which is multiplied by the full cash and limited values to produce an assessed value (See Figure 1). The assessed value is the basis for calculating tax bills.

## **GENERAL PROPERTY TAX**

### **ADMINISTRATION**

The duties of valuing property for tax purposes are divided between the department and the fifteen county assessors' offices. The department values utilities, airlines, railroads, mines, telecommunication companies, and other geographically-dispersed properties (Centrally Valued Properties). The values for those properties the department appraises are transmitted to the County Boards of Supervisors for entry upon the county tax rolls for levy and collection of property taxes.

The county assessors, using the appraisal standards, guidelines and manuals the department adopted, are responsible for the appraisal and assessment of other classes of property, including residential, commercial, and agricultural properties (Locally Assessed Properties).

Appeals of valuation or classification for locally assessed properties originate with the property owner's petition for review filed with the county assessor. Subsequent appeals may be filed with

either the local County Board of Equalization or the State Board of Equalization or the Arizona Tax Court, a division of the Maricopa County Superior Court.

### **TAX COLLECTION AND DISTRIBUTION**

County treasurers collect all property taxes (except those assessed upon airline flight properties and private rail car companies) and distribute receipts to all taxing entities. The department collects taxes levied on airline flight property and private rail cars and deposits the taxes with the Arizona State Treasurer. Taxes on airline flight properties and private rail car companies are levied at the average state tax rate. This rate is derived by dividing the total of all of the levies in the state by the total net assessed value in the state. This calculation produces the weighted average of all of the levies in the state and is referred to as the "average state tax rate."

### **EQUALIZATION**

The department's primary tool in evaluating assessors' assessment performance is its sales ratio study, which compares values established by the county assessors with sales prices of recently sold properties. These studies are performed several times each year by county, type of property, and market area.

Sales ratios are derived by dividing full cash values by sales prices of recently sold properties. The median ratio is the middle ratio in a sorted (low to high) array of sales ratios; 50% of the ratios lie above the median and 50% fall below it. The median ratio is the most commonly used.

The sales ratio studies include coefficients of dispersion which are a measure of how all taxpayers are treated. Coefficient of dispersion targets are currently 25% for vacant land and commercial properties, 15% for residential properties in Maricopa and Pima counties, and 20% on residential properties in all other counties. Lower coefficients of dispersion indicate greater equity in property assessments.

### Centrally Valued Properties

The Centrally Valued Property Unit is responsible for the annual valuation of 11 industries for ad valorem property tax purposes.

Generally, these are large, complex properties which are often located in more than one county and/or in more than one state. Values determined for such properties are apportioned to the individual taxing jurisdictions. They are referred to as centrally valued because they are valued by the department rather than the 15 county assessors.

The assessment and appeals calendar for centrally valued properties coincides with the calendar for locally assessed properties.

**Figure 1**

<b>Class</b>	<b>Legal Classification</b>	<b>Assessment Ratio</b>
1.1	Mines	19.0%
1.3-1.7, 1.11	Utilities	19.0%
1.12	Commercial Real	19.0%
1.13	Commercial Personal	First \$141,385 exempt; 19.0% on the remainder
2R	Agricultural Real; Vacant Land	16%
2P	Agricultural Personal	First \$141,385 exempt; 16% on the remainder
3	Primary Residence	10%
4.1	Non-Primary Residence	10%
4.2	Rental Residential	10%
5	Railroads, Airlines	16%
6	Non-Commercial Historic Property; Foreign Trade Zones; Qualified Environmental Technology Facilities	5%
7	Commercial Historic	Combination 1% and 19.0%
8	Rental Residential Historic	Combination 1% and 10%
9	Improvements on government property	1%

## INDUSTRIES VALUED BY THE DEPARTMENT

Industry	Number of Taxpayers		
	2012	2013	2014
Airlines (Flight Property).....	28	29	30
Electric & Gas*			
Generation .....	53	71	75
Transmission and Distribution.....	32	36	32
Electric Co-ops.....	--	--	9
Mines (non-producing) .....	1	0	1
Mines (producing).....	30	35	35
Pipelines.....	8	8	8
Private Rail Cars .....	289	278	279
Producing Oil & Gas Interests .....	3	2	2
Railroads .....	11	12	12
Telecommunications .....	63	62	61
Water and Wastewater Utilities .....	316	311	317
<b>Total .....</b>	<b>834</b>	<b>844</b>	<b>861</b>

\* Includes Salt River Project

TABLE 36  
STATE OF ARIZONA  
2014 PRIMARY PROPERTY TAX LEVIES

TAX AUTHORITY	NET ASSESSED VALUATION	STATE	COUNTY	CITIES and TOWNS	COMMUNITY COLLEGES	SCHOOLS	ALL OTHER	TOTAL	PRIMARY RATE
APACHE	\$513,655,622	\$2,613,993	\$2,470,684	\$0	\$0	\$10,854,810	\$0	\$15,939,487	3.10
COCHISE	\$955,783,522	\$5,051,743	\$25,114,168	\$2,381,549	\$19,430,123	\$51,049,280	\$0	\$103,026,863	10.78
COCONINO	\$1,512,794,264	\$9,322,197	\$8,541,236	\$6,162,697	\$7,243,259	\$56,859,447	\$0	\$88,128,836	5.83
GILA	\$416,099,715	\$2,117,531	\$17,434,578	\$1,626,626	\$3,992,061	\$19,448,221	\$0	\$44,619,018	10.72
GRAHAM	\$211,469,611	\$1,093,904	\$4,608,769	\$241,809	\$5,652,160	\$10,543,575	\$0	\$22,140,216	10.47
GREENLEE	\$458,425,787	\$4,701,130	\$2,521,342	\$276,255	\$0	\$7,559,221	\$0	\$15,057,948	3.28
LA PAZ	\$205,814,389	\$1,047,389	\$4,705,534	\$0	\$4,117,111	\$5,860,385	\$0	\$15,730,420	7.64
MARICOPA	\$33,519,795,354	\$199,396,545	\$443,026,211	\$227,383,150	\$429,857,856	\$1,473,054,722	\$0	\$2,772,718,483	8.27
MOHAVE	\$1,727,793,369	\$8,792,740	\$31,438,928	\$4,232,725	\$21,104,996	\$75,277,505	\$0	\$140,846,895	8.15
NAVAJO	\$845,018,236	\$5,440,783	\$6,916,474	\$350,427	\$14,035,753	\$27,858,346	\$0	\$54,601,783	6.46
PIMA	\$7,518,481,988	\$41,014,340	\$321,704,655	\$15,026,704	\$100,326,624	\$382,670,240	\$0	\$860,742,563	11.45
PINAL	\$2,005,151,766	\$10,207,253	\$76,262,685	\$16,985,533	\$38,304,414	\$90,692,158	\$0	\$232,452,043	11.59
SANTA CRUZ	\$320,999,663	\$1,637,592	\$11,707,179	\$0	\$1,437,115	\$15,546,587	\$0	\$30,328,473	9.45
YAVAPAI	\$2,217,272,811	\$15,022,665	\$43,108,218	\$2,064,502	\$41,254,578	\$78,142,442	\$0	\$179,592,405	8.10
YUMA	\$1,112,447,688	\$5,661,246	\$24,067,955	\$10,126,168	\$22,253,404	\$46,457,367	\$0	\$108,566,140	9.76
<b>TOTAL STATE</b>	<b>\$53,541,003,785</b>	<b>\$313,121,053</b>	<b>\$1,023,628,616</b>	<b>\$286,858,146</b>	<b>\$709,009,453</b>	<b>\$2,351,874,304</b>	<b>\$0</b>	<b>\$4,684,491,572</b>	<b>8.75</b>

AVERAGE STATE PRIMARY TAX RATE PER \$100	8.75
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2013 PRIMARY PROPERTY TAX LEVIES

TAX AUTHORITY	NET ASSESSED VALUATION	STATE	COUNTY	CITIES and TOWNS	COMMUNITY COLLEGES	SCHOOLS	ALL OTHER	TOTAL	PRIMARY RATE
APACHE	\$525,723,278	\$2,693,280	\$2,414,647	\$0	\$0	\$9,424,926	\$0	\$14,532,853	\$3
COCHISE	\$1,006,475,403	\$5,183,314	\$26,446,148	\$2,360,230	\$18,627,847	\$43,096,250	\$0	\$95,713,789	\$10
COCONINO	\$1,519,086,333	\$9,443,949	\$8,303,326	\$6,118,013	\$7,042,484	\$56,919,248	\$0	\$87,827,021	\$6
GILA	\$438,624,843	\$2,247,075	\$18,378,381	\$1,885,803	\$3,814,282	\$19,377,138	\$0	\$45,702,679	\$10
GRAHAM	\$192,240,653	\$984,849	\$4,558,218	\$241,614	\$5,267,586	\$8,591,376	\$0	\$19,643,643	\$10
GREENLEE	\$335,715,128	\$1,785,707	\$2,467,506	\$273,142	\$0	\$7,539,842	\$0	\$12,066,196	\$4
LA PAZ	\$216,835,366	\$1,110,848	\$4,251,708	\$0	\$4,086,696	\$5,404,328	\$0	\$14,853,580	\$7
MARICOPA	\$31,996,204,979	\$178,373,045	\$410,044,984	\$228,440,179	\$412,623,059	\$1,387,193,981	\$0	\$2,616,675,248	\$8
MOHAVE	\$1,771,371,872	\$9,074,738	\$32,231,883	\$4,178,240	\$20,413,289	\$72,650,529	\$0	\$138,548,680	\$8
NAVAJO	\$903,351,854	\$5,399,931	\$6,318,946	\$394,572	\$13,341,604	\$31,978,568	\$0	\$57,433,621	\$6
PIMA	\$7,559,129,097	\$39,310,735	\$277,226,982	\$16,388,179	\$96,348,659	\$360,616,228	\$0	\$789,890,784	\$10
PINAL	\$1,988,882,373	\$10,192,203	\$75,666,420	\$16,689,980	\$37,625,677	\$88,221,308	\$0	\$228,395,587	\$11
SANTA CRUZ	\$338,356,662	\$1,737,595	\$11,576,873	\$0	\$1,421,098	\$16,782,977	\$0	\$31,518,543	\$9
YAVAPAI	\$2,232,629,599	\$15,173,455	\$43,107,612	\$2,007,428	\$40,725,397	\$79,444,410	\$0	\$180,458,301	\$8
YUMA	\$1,112,115,440	\$5,697,367	\$22,952,064	\$10,009,586	\$20,960,040	\$49,436,282	\$0	\$109,055,339	\$10
<b>TOTAL STATE</b>	<b>\$52,136,742,880</b>	<b>\$288,408,092</b>	<b>\$945,945,698</b>	<b>\$288,986,965</b>	<b>\$682,297,718</b>	<b>\$2,236,677,392</b>	<b>\$0</b>	<b>\$4,442,315,864</b>	<b>8.52</b>

AVERAGE STATE PRIMARY TAX RATE PER \$100	8.52
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NOTE: Some increase/decrease due to reporting tax levies in different authorities than in previous years.

TABLE 37  
STATE OF ARIZONA  
2014 SECONDARY PROPERTY TAX LEVIES

TAX AUTHORITY	NET ASSESSED VALUATION	STATE	COUNTY	CITIES and TOWNS	COMMUNITY COLLEGES	SCHOOLS	ALL OTHER	TOTAL	SECONDARY RATE
APACHE	\$517,650,758	\$0	\$4,689,135	\$0	\$1,975,873	\$2,197,864	\$5,463,735	\$14,326,607	2.77
COCHISE	\$959,542,199	\$0	\$4,453,574	\$319,053	\$0	\$4,762,956	\$9,095,082	\$18,630,665	1.94
COCONINO	\$1,534,483,938	\$0	\$11,716,967	\$5,611,045	\$1,945,726	\$17,195,139	\$15,801,285	\$52,270,161	3.41
GILA	\$419,257,531	\$0	\$1,257,773	\$0	\$0	\$5,585,417	\$6,691,890	\$13,535,079	3.23
GRAHAM	\$213,508,436	\$0	\$309,637	\$0	\$0	\$2,585,660	\$579,566	\$3,474,863	1.63
GREENLEE	\$462,439,380	\$0	\$1,180,078	\$0	\$0	\$1,789,432	\$39,689	\$3,009,198	0.65
LA PAZ	\$210,720,562	\$0	\$210,721	\$0	\$800,527	\$1,165,844	\$4,419,932	\$6,597,025	3.13
MARICOPA	\$35,079,646,593	\$0	\$67,128,616	\$231,574,325	\$82,893,205	\$865,414,029	\$203,346,581	\$1,450,356,756	4.13
MOHAVE	\$1,757,074,571	\$0	\$17,203,407	\$0	\$0	\$16,803,781	\$20,531,168	\$54,538,357	3.10
NAVAJO	\$846,247,083	\$0	\$5,492,978	\$0	\$0	\$12,107,687	\$14,032,405	\$31,633,070	3.74
PIMA	\$7,579,898,868	\$0	\$110,171,539	\$30,621,097	\$0	\$104,824,994	\$83,275,942	\$328,893,572	4.34
PINAL	\$2,040,749,841	\$0	\$6,314,526	\$7,055,651	\$7,203,847	\$33,950,629	\$29,160,097	\$83,684,750	4.10
SANTA CRUZ	\$323,843,644	\$0	\$2,472,680	\$0	\$0	\$3,221,152	\$6,157,086	\$11,850,918	3.66
YAVAPAI	\$2,267,389,484	\$0	\$9,806,493	\$76,624	\$5,058,546	\$16,617,267	\$38,647,290	\$70,206,220	3.10
YUMA	\$1,139,598,176	\$0	\$12,183,402	\$0	\$4,329,333	\$11,845,202	\$883,221	\$29,241,158	2.57
<b>TOTAL STATE</b>	<b>\$55,352,051,064</b>	<b>\$0</b>	<b>\$254,591,524</b>	<b>\$275,257,795</b>	<b>\$104,207,057</b>	<b>\$1,100,067,054</b>	<b>\$438,124,969</b>	<b>\$2,172,248,400</b>	<b>3.92</b>

<b>AVERAGE STATE SECONDARY TAX RATE PER \$100</b>	<b>3.92</b>
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2013 SECONDARY PROPERTY TAX LEVIES

TAX AUTHORITY	NET ASSESSED VALUATION	STATE	COUNTY	CITIES and TOWNS	COMMUNITY COLLEGES	SCHOOLS	ALL OTHER	TOTAL	SECONDARY RATE
APACHE	\$531,638,110	\$0	\$4,247,257	\$0	\$2,116,983	\$2,521,195	\$5,523,293	\$14,408,728	\$3
COCHISE	\$1,011,138,917	\$0	\$4,629,166	\$179,611	\$0	\$4,886,682	\$9,075,046	\$18,770,504	\$2
COCONINO	\$1,533,065,282	\$0	\$11,753,574	\$5,530,453	\$1,905,340	\$16,631,147	\$15,741,813	\$51,562,327	\$3
GILA	\$440,187,536	\$0	\$1,320,563	\$0	\$0	\$5,306,985	\$6,932,478	\$13,560,026	\$3
GRAHAM	\$194,024,943	\$0	\$292,424	\$0	\$0	\$2,683,080	\$552,457	\$3,527,960	\$2
GREENLEE	\$336,148,250	\$0	\$796,984	\$0	\$0	\$1,586,882	\$37,324	\$2,421,190	\$1
LA PAZ	\$224,552,041	\$0	\$224,552	\$0	\$758,761	\$1,515,214	\$4,474,245	\$6,972,772	\$3
MARICOPA	\$32,229,006,810	\$0	\$57,859,000	\$202,263,121	\$78,767,693	\$850,450,417	\$189,163,901	\$1,378,504,131	\$4
MOHAVE	\$1,809,668,423	\$0	\$17,992,149	\$0	\$0	\$16,021,211	\$21,214,817	\$55,228,177	\$3
NAVAJO	\$904,776,433	\$0	\$5,403,608	\$0	\$0	\$12,646,421	\$14,497,153	\$32,547,182	\$4
PIMA	\$7,623,691,280	\$0	\$109,387,792	\$29,148,173	\$1,425,630	\$120,541,156	\$79,718,089	\$340,220,841	\$4
PINAL	\$2,005,343,534	\$0	\$6,162,892	\$5,612,505	\$7,197,178	\$38,242,035	\$27,811,746	\$85,026,356	\$4
SANTA CRUZ	\$339,878,006	\$0	\$2,473,562	\$0	\$0	\$3,221,295	\$6,314,246	\$12,009,103	\$4
YAVAPAI	\$2,279,676,521	\$0	\$9,771,398	\$189,071	\$5,076,840	\$16,191,707	\$37,290,488	\$68,519,503	\$3
YUMA	\$1,131,581,406	\$0	\$12,211,163	\$0	\$3,823,614	\$13,290,437	\$863,032	\$30,188,246	\$3
<b>TOTAL STATE</b>	<b>\$52,594,377,492</b>	<b>\$0</b>	<b>\$244,526,081</b>	<b>\$242,922,934</b>	<b>\$101,072,038</b>	<b>\$1,105,735,865</b>	<b>\$419,210,129</b>	<b>\$2,113,467,047</b>	<b>4.02</b>

<b>AVERAGE STATE SECONDARY TAX RATE PER \$100</b>	<b>4.02</b>
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NOTE: Some increase/decrease due to reporting tax levies in different authorities than in previous years.

**TABLE 38  
AVERAGE PROPERTY TAX RATES  
PER \$100 OF ASSESSED VALUATION  
2011 THROUGH 2014**

	2011		2012	
	PRIMARY	SECONDARY	PRIMARY	SECONDARY
School Districts	\$3.63	\$1.88	\$4.00	\$2.02
Counties	1.70	0.48	1.72	0.49
State	0.46	0.00	0.50	0.00
Cities and Towns	0.44	0.48	0.49	0.47
Community Colleges	1.05	0.16	1.17	0.17
Special Districts	0.00	0.67	0.00	0.71
	\$7.28	\$3.67	\$7.89	\$3.87
<b>TOTAL</b>	<b>\$10.94</b>		<b>\$11.75</b>	
	2013		2014	
	PRIMARY	SECONDARY	PRIMARY	SECONDARY
School Districts	\$4.29	\$2.10	\$4.39	\$1.99
Counties	1.81	0.46	1.91	0.46
State	0.55	0.00	0.58	0.00
Cities and Towns	0.55	0.46	0.54	0.50
Community Colleges	1.31	0.19	1.32	0.19
Special Districts	0.00	0.80	0.00	0.79
	\$8.52	\$4.02	\$8.75	\$3.92
<b>TOTAL</b>	<b>\$12.54</b>		<b>\$12.67</b>	

School district rate includes Unorganized School Districts.  
 Figures may not add to total due to rounding.

## **ALL OTHER SOURCES OF REVENUE**

Bingo

Estate Tax

Luxury Tax

Unclaimed Property & Escheated Estates

Waste Tire Fees





## **BINGO**

The tax on state licensed bingo operations is based on a multi-tiered licensing structure. There are three classes of bingo licenses, each of which has a different tax rate.

Each licensee's tax rate is based on bingo receipts. Class A licensees, whose gross receipts do not exceed \$15,600 per year, are taxed at 2.5 percent of their adjusted gross receipts. (Adjusted gross receipts are the monies left after paying prizes.) Class B and Class C licensees are taxed on their gross receipts. Class B licensees, whose gross receipts do not exceed \$300,000, are taxed at 1.5 percent of their gross receipts. Class C licensees, whose gross receipts exceed \$300,000 per year, are taxed at 2 percent of their gross receipts from bingo.

All taxes collected are deposited in the state general fund (*Refer to Table 39*).

**TABLE 39**  
**BINGO COLLECTIONS**  
**FISCAL YEAR 2009-10 THROUGH FISCAL YEAR 2013-14**

	<b>Fiscal Year</b>					<b>Amount</b>
	2009-10					\$520,655
	2010-11					\$504,905
	2011-12					\$508,145
	2012-13					\$519,998
	2013-14					\$521,583

	<b>BINGO COLLECTIONS</b>				
	<b>FY2009-10</b>	<b>FY2010-11</b>	<b>FY2011-12</b>	<b>FY2012-13</b>	<b>FY2013-14</b>
Licenses	\$19,718	\$27,576	\$18,164	\$18,175	\$17,580
Proceeds	499,206	476,482	486,056	497,493	499,608
Penalty, Interest and Miscellaneous	1,731	847	3,926	4,331	4,395
<b>TOTAL</b>	<b>\$520,655</b>	<b>\$504,905</b>	<b>\$508,145</b>	<b>\$519,998</b>	<b>\$521,583</b>

## ESTATE TAX

Arizona's Estate Tax was effectively repealed January 1, 2005, following the elimination of the Federal State Death Tax Credit by Congress. No Arizona estate tax is owed on the estate of a person who dies after 2004 and there is no requirement to file an Arizona Form 76. We continue to receive late original returns and amended tax returns for decedents with a date of death prior to 2005 as it can take years to settle a complicated estate.

Only estates that are required to file a federal estate tax return are required to file an Arizona Estate Tax return.

The Arizona estate tax for an Arizona resident decedent is an amount equal to the federal credit for state death taxes. If the decedent owned real or tangible personal property located in another state, the Arizona tax is reduced by either the amount of death tax paid to the other state or a prorated share of the federal credit, whichever is less.

The Arizona estate tax for a nonresident decedent is a prorated share of the federal credit, based on the value of real property and tangible personal property having actual situs in Arizona this year.

The Arizona estate tax is a tax on the transfer of property or interest in property that takes effect upon the owner's death. The estate tax is imposed on the net taxable estate before distribution, differing from the inheritance tax, which is imposed on the portion of the estate received by a beneficiary. Arizona does not impose inheritance or gift taxes. Estate taxes are deposited into the state general fund. (*Refer to Table 40.*)

The Collections Division of the Arizona Department of Revenue is responsible for the collection of estate taxes and the processing of estate tax returns and reports of personal representative of decedent.

**TABLE 40**  
**ESTATE TAX COLLECTIONS**  
**FISCAL YEAR 2009-10 THROUGH FISCAL YEAR 2013-14**

	<b>FY2009-10</b>	<b>FY2010-11</b>	<b>FY2011-12</b>	<b>FY2012-13</b>	<b>FY2013-14</b>
<b>Collections</b>	\$363,755	\$437,372	\$200,825	\$0	\$0
<b>Refunds</b>	\$0	\$0	\$0	\$0	\$0
<b>Net</b>	\$363,755	\$437,372	\$200,825	\$0	\$0

Figures may not add to total due to rounding.

## LUXURY TAX

Arizona's luxury tax applies to cigarettes, other tobacco products, and alcoholic beverages. The department is responsible for issuing tobacco licenses and stamps and collecting taxes on tobacco products and alcoholic beverages. The department also investigates and confiscates contraband tobacco products. During fiscal year 2014, over \$383 million was received in luxury tax collections.

Of the monies collected per the Tobacco Products Referendum (Prop 303), \$38.1 million was distributed to the Prop 204 Protection Account, \$25.1 million to the Medically Needy Account, \$18.6 million for Emergency Health Services, \$4.6 million for Health Research, and \$1.9 million for Health Education. Due to the passage of the Tobacco Tax and Health Care Initiative in November 1994, \$43.4 million was distributed to the Medically Needy Fund, \$15.1 million to the Health Education Fund and \$3.3 million to the Health Research Fund. The Corrections Fund, established by the Legislature in 1984 to pay for prison construction, received \$29.3 million. The Drug Treatment and Education Fund received \$9.1 million, and the Corrections Revolving Fund received \$3.6 million due to the passage of Proposition 200 in 1994. The Smoke Free AZ fund received \$2.9 million due to the passage of Proposition 201 in 2006. The Early Childhood Development and Health Fund received \$124.4 million due to the passage of Proposition 203 in 2006. The remaining \$58.7 million was deposited into the state general fund. (Refer to Table 41)

### Luxury Tax Rates

per cigarette	\$ 0.10
package of 20	\$ 2.00
package of 25	\$ 2.50

#### **Cigars**

small cigars weighing not more than 3 lbs/1,000 package of 20 or less	\$ 0.441
selling for \$0.05 or less (each 3 cigars)	\$ 0.218
selling for more than \$0.05 (each cigar)	\$ 0.218

#### **Smoking Tobacco**

snuff, fine cut, chewing, etc. (per ounce)	\$ 0.223
Cavendish, plug, or twist (per ounce)	\$ 0.055

#### **Spirituos Liqueurs**

per gallon	\$ 3.00
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<b>Vinous Liqueurs</b> more than 24% alcohol (per gallon)	\$ 4.00
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<b>Vinous Liqueurs</b> less than 24% alcohol (per gallon)	\$ 0.84
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#### **Malt Liqueur (Beer)**

per gallon	\$ 0.16
per barrel (31 gallons)	\$ 4.96

TABLE 41  
LUXURY TAX COLLECTIONS  
FISCAL YEAR 2009-10 THROUGH FISCAL YEAR 2013-14

SOURCE:	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14	PERCENT OF COLLECTIONS IN FY2012-13
Spirituos Liquor	\$29,304,713	\$28,202,704	\$31,847,105	\$32,184,954	\$33,588,102	8.8%
Vinous Liquor	13,881,407	13,596,155	15,430,577	15,155,547	15,583,934	4.1%
Malt Liquor	22,232,715	21,566,369	21,101,489	21,343,360	21,974,061	5.7%
<b>Liquor Collections</b>	<b>\$65,418,835</b>	<b>\$63,365,229</b>	<b>\$68,379,171</b>	<b>\$68,683,862</b>	<b>\$71,146,096</b>	
Tobacco - All Types						
Gross Revenue	\$340,839,935	\$340,754,224	\$337,777,289	\$331,347,184	\$327,788,207	
Refunds	(6,635,450)	(12,281,284)	(17,978,338)	(15,583,872)	(15,299,166)	
Licenses	7,900	7,710	7,925	7,825	8,198	
Administrative Expenses	(662,742)	(673,071)	(677,280)	(676,090)	(574,345)	
<b>Net Tobacco Collections</b>	<b>\$333,549,643</b>	<b>\$327,807,579</b>	<b>\$319,129,597</b>	<b>\$315,095,046</b>	<b>\$311,922,894</b>	<b>81.4%</b>
<b>TOTAL COLLECTIONS</b>	<b>\$398,968,478</b>	<b>\$391,172,807</b>	<b>\$387,508,768</b>	<b>\$383,778,908</b>	<b>\$383,068,990</b>	<b>100.0%</b>
<b>DISTRIBUTIONS:</b>						
State General Fund	\$55,352,260	\$53,599,408	\$56,357,085	\$56,184,596	\$58,711,664	
Tobacco Tax & Health Care Fund	65,051,516 (1)	64,799,725	61,879,113	61,958,027	58,050,632	
Tobacco Products Tax Fund	96,335,427 (1)	95,586,289	90,953,118	91,044,441	91,923,081	
Drug Treatment & Education Fund	8,551,873	8,303,445	8,805,071	8,822,752	9,111,608	
DOC Revolving Fund	3,407,130	3,307,459	3,512,659	3,520,473	3,636,704	
Department of Corrections Fund	28,587,983	27,130,247	28,518,897	28,468,675	29,253,753	
DOC Transfer from Prop 200 Funds	637,075	1,322,335	1,259,100	1,259,414	1,343,199	
Prop 200 Transfer from Prop 303 Funds	4,037,828	3,982,185	3,789,120	3,792,927	3,748,474	
Smoke Free AZ	3,888,483	3,058,479	3,043,448	2,956,134	2,918,213	
Early Childhood Development and Health Fund	133,118,902	130,083,235	129,391,158	125,771,470	124,371,662	
<b>TOTAL DISTRIBUTIONS</b>	<b>\$398,968,478</b>	<b>\$391,172,807</b>	<b>\$387,508,768</b>	<b>\$383,778,908</b>	<b>\$383,068,990</b>	

(1) The Tobacco Tax & Health Care Fund and the Tobacco Products Fund holding accounts had undistributed balances of \$706,653.52 and \$1,943,037.88 respectively at the end of fiscal year 2009. These amounts were distributed in fiscal year 2010.

Figures may not add to total due to rounding.

## **UNCLAIMED PROPERTY**

Responsibilities of the Unclaimed Property Program include the collection, safekeeping, and disposition of abandoned property and escheated estates.

The Unclaimed Property staff establishes and maintains records of these types of funds along with other intangible and tangible personal property that is presumed to be abandoned. This property is received from business associations, banking and financial institutions, insurance companies, fiduciaries, state courts, and governmental agencies.

Common examples of unclaimed property are:

- State warrants not cashed after six months.
- Payroll checks written to employees not cashed after one year.
- Contents of safe deposit boxes on which rent has not been paid for three years.
- Government and Court property not claimed in two years.
- Stock or other equity interest in a business association or financial institution with no activity for three years.
- Bank or credit union accounts with no activity for three years.
- Cashier and other official checks not cashed in three years.
- Checks written to vendors or customers not cashed after three years.
- Money orders not cashed in three years.
- Traveler's checks not cashed in fifteen years.

There is no statute of limitations for filing a claim for unclaimed property. Owners may recover their property at any time with proper documentation.

## **ESCHEATED ESTATES**

In addition to their Unclaimed Property responsibilities, staff members also establish and maintain records of Escheated Estates. An Escheated Estate is created when a person dies without leaving a will and has no known heirs. When this condition exists, his or her property reverts to the state as the original and ultimate proprietor after seven years. Funds received from escheated estates are deposited into the Permanent State School Fund. *(Refer to Table 42.)*

**TABLE 42**  
**UNCLAIMED PROPERTY COLLECTIONS AND DISTRIBUTIONS**  
**FISCAL YEAR 2009-10 THROUGH FISCAL YEAR 2013-14**

SOURCE:	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14
<b>UNCLAIMED PROPERTY</b>	\$161,637,025	\$121,263,602	\$115,160,041	\$131,397,401	\$113,119,156
Refunds	(24,207,862)	(34,677,629)	(40,049,513)	(40,013,520)	(34,059,189)
<b>NET</b>	<b>\$137,429,163</b>	<b>\$86,585,973</b>	<b>\$75,110,528</b>	<b>\$91,383,881</b>	<b>\$79,059,967</b>
 <b>ESCHEATED ESTATES</b>	 320,538	 370,786	 186,322	 327,961	 649,079
Refunds	(94,959)	(230,340)	(158,988)	(302,974)	(283,812)
<b>NET</b>	<b>\$225,579</b>	<b>\$140,446</b>	<b>\$27,334</b>	<b>\$24,987</b>	<b>\$365,267</b>
 <b>TOTAL NET REVENUE</b>	 <b>\$137,654,742</b>	 <b>\$86,726,419</b>	 <b>\$75,137,862</b>	 <b>\$91,408,868</b>	 <b>\$79,425,235</b>
 <b>DISTRIBUTIONS:</b>					
General Fund	100,034,835	49,120,855	45,819,445	60,899,609	49,165,753
Housing Fund	10,500,000 (2)	10,500,000	2,500,000 (3)	2,500,000	2,500,000
SMI Housing Fund (3)	-----	-----	2,000,000	2,000,000	2,000,000
Victim Restitution Fund	739,422	1,143,835	100,540	612,703	684,584
Operating transfers	1,634,300	1,262,200	-----	514,700	-----
Admin Fund (2)	24,500,000	24,500,000	24,500,000	24,500,000	24,500,000
 <b>Net to Permanent State School Fund:</b>					
Escheated Estates	225,579	140,446	27,334	24,987	365,267
Unclaimed Shares/dividends	19,914	58,381	184,618	332,985	190,053 (1)
Storage Facility	692	701	5,925	23,884	19,578
 <b>TOTAL DISTRIBUTION</b>	 <b>\$137,654,742</b>	 <b>\$86,726,419</b>	 <b>\$75,137,862</b>	 <b>\$91,408,868</b>	 <b>\$79,425,235</b>

(1) FY14 Escheated Estates will be transferred in FY15.

(2) Pursuant to SB 1003, Chapter 3, 4th Special Session, 2009.

(3) Pursuant to SB 1616, Chapter 28, 1st Regular Session, 2011.

Figures may not add to total due to rounding.

## WASTE TIRE

The Arizona waste tire fee is a fee applied to the sale of new motor vehicle tires. The fee is to be collected quarterly at a rate of two percent of the purchase price not to exceed two dollars per tire.

During fiscal year 2014, the department collected \$9,009,694 and distributed 3.5% percent to the Arizona Department of Environmental Quality with the remainder being distributed to the counties based on the number of motor vehicles registered in the county (*Refer to Tables 43*). The distribution is performed quarterly.

**TABLE 43**  
**WASTE TIRE FEE DISTRIBUTIONS**  
**FISCAL YEAR 2009-10 THROUGH FISCAL YEAR 2013-14**

	<b>FY2009-10</b>	<b>FY2010-11</b>	<b>FY2011-12</b>	<b>FY2012-13</b>	<b>FY2013-14</b>
<b>Apache</b>	\$97,963	\$103,880	\$110,216	\$113,633	\$118,662.36
<b>Cochise</b>	204,708	215,256	225,450	227,680	231,444
<b>Coconino</b>	191,303	200,347	211,898	218,206	226,483
<b>Gila</b>	105,054	110,165	115,502	118,562	121,854
<b>Graham</b>	47,450	48,835	51,514	53,295	54,820
<b>Greenlee</b>	15,395	15,231	16,315	16,991	17,421
<b>La Paz</b>	45,573	49,117	52,807	54,978	56,558
<b>Maricopa</b>	4,296,301	4,357,598	4,531,883	4,645,996	4,800,866
<b>Mohave</b>	370,916	390,315	413,996	425,534	439,690
<b>Navajo</b>	160,731	168,210	176,949	182,631	189,926
<b>Pima</b>	1,057,356	1,092,320	1,133,099	1,146,478	1,169,151
<b>Pinal</b>	365,864	393,137	414,977	431,565	449,131
<b>Santa Cruz</b>	73,531	77,565	82,081	84,896	87,754
<b>Yavapai</b>	372,547	387,234	407,032	419,652	434,938
<b>Yuma</b>	243,142	260,715	276,990	286,595	294,940
<b>Arizona Department of Environmental Quality</b>	277,383	285,438	298,160	305,631	316,056
<b>Total</b>	<b>\$7,925,216</b>	<b>\$8,155,363</b>	<b>\$8,518,868</b>	<b>\$8,732,325</b>	<b>\$9,009,694</b>

Figures may not add to total due to rounding.





# LEGISLATIVE SUMMARY



# LEGISLATIVE SUMMARY

The following is intended to give a brief summary of the 2014 tax-related legislation impacting the Department of Revenue (DOR) and not intended to discuss the details of any specific enactment. Detailed summaries of these bills can also be found at [www.azleg.gov](http://www.azleg.gov). Please refer to the particular legislation for more definitive information.

The general effective date for legislation enacted during the First Regular Session is July 24, 2014. All legislation will have this effective date unless otherwise noted in the summary.

Copies of these bills can be downloaded at [www.azleg.state.az.us/FinalDisposition.asp](http://www.azleg.state.az.us/FinalDisposition.asp) or may be requested from the Secretary of State's Office by calling (602) 542-4086.

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## Income Tax

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### **House Bill 2046, (Chapter 43)**

Disaster recovery; businesses; tax; regulation

See Multiple Tax Types.

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### **House Bill 2272 (Chapter 168)**

Tax Credits; capital investments; employment

#### Small Business Investment Tax Credit

The Small Business Investment Tax Credit is extended through tax year 2024. The Arizona Commerce Authority (ACA) is authorized to approve tax credits through fiscal year 2021.

The maximum amount of an investment in any single small business that a taxpayer can apply towards a tax credit is increased from \$250,000 to \$500,000. The deadline for application for a credit is extended from 30 to 90 days after the investment.

#### Quality Jobs Tax Credit

Allows a taxpayer to remain eligible for the Quality Jobs Tax Credit in all three years of eligibility if a full-time employee in the newly created job leaves the position, as long as the position is filled by another qualified full-time employee and is not vacant for more than 90 days from the original date the position was filled to the end of the current TY.

#### R&D Tax Credit

Beginning TY 2015, taxpayers must obtain certification from the ACA that basic research payments meet statutory requirements prior to application to DOR for preapproval of additional income tax credits for increased research activities involving basic research payments to a university.

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### **House Bill 2377 (Chapter 10)**

Income tax brackets; inflation index

For tax year 2015, the Department is required to adjust the income dollar amounts for each individual income tax rate bracket by the average annual change in the metropolitan Phoenix consumer price index.

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### **Senate Bill 1081 (Chapter 68)**

Tax credit; excise; SSN

Beginning in tax year 2015, eligibility for the Tax Credit for Increased Excise Taxes Paid requires a valid social security number or federal tax identification number for the claimant, spouse, and qualifying children.

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### **Senate Bill 1300 (Chapter 223)**

Internal revenue code conformity

Incorporates the federal changes made in 2013 into Arizona's definition of "internal revenue code."

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### **Senate Bill 1301 (Chapter 245)**

2014 tax corrections

See Multiple Tax Types.

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### **Senate Bill 1326 (Chapter 120)**

State parks; donations; fund; transportation

The Department is required to provide a check off box on the individual income tax return form in which a taxpayer may designate an amount of the taxpayer's refund as a voluntary contribution to the

newly established Sustainable State Parks and Roads Fund.

Monies in the Fund are specified to be used by the Arizona State Parks Board to operate, maintain and make capital improvements to state parks.

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### **Senate Bill 1484 (Chapter 8)**

Tax credit; manufacturers; renewable energy

Establishes an individual and corporate income tax credit for taxpayers who invest at least \$300 million in a three-year period in new "renewable energy facilities" in Arizona. To qualify, the facilities must produce energy for self-consumption and used primarily for manufacturing. The amount of the credit is \$1 million per year for five years for each renewable energy facility, and the maximum credit allowed per taxpayer per year is \$5 million. A credit may not be claimed for any tax year after 2025.

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## **Transaction Privilege Tax/ Use Tax**

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### **House Bill 2283, (Chapter 139)**

TPT; postmark; filing by mail

See Multiple Tax Types.

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### **House Bill 2285 (Chapter 54)**

TPT; refined coal transfer; exemption

Exempts the transfer of title or possession of coal from an owner or operator of a power plant to a person in the business of refining coal from TPT and municipal taxes if the transfer of title or possession of the coal is for the purpose of refining coal and the title or possession of the coal is transferred back to the owner or operator of the power plant after completion of the coal refining process.

Coal acquired from an owner or operator of a power plant by a person who is responsible for refining coal is exempt from use tax if the transfer of title or possession of the coal is for the purpose for refining the coal and the title or possession of the coal is transferred back to the owner or operator of the power plant after completion of the coal refining process.

The transfer of title or possession of coal from an owner or operator of a power plant to a person in

the business of refining coal is not deemed as being engaged in business classified under the TPT retail classification.

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### **House Bill 2288 (Chapter 141)**

Sales tax; reduced reporting requirements

Beginning January 1, 2015, the Department is required to allow taxpayers with an annual transaction privilege tax liability between \$2,000 and \$8,000 (increased from \$500 and \$1,250) to pay TPT on a quarterly basis; taxpayers with annual TPT liability of less than \$2,000 (increased from less than \$500) are authorized to pay on an annual basis.

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### **House Bill 2389 (Chapter 263)**

Transaction privilege tax changes

#### Licensing

Standardizes state and municipal transaction privilege tax (TPT) licensing processes by requiring a person engaging or continuing in business to annually apply for a license. TPT licenses are valid for only the calendar year in which it is issued and must be renewed by January 1.

There is no state fee for license renewal. Municipal TPT licensing and renewal fees may be imposed up to \$50. A penalty of up to \$25 for failure to timely renew a municipal TPT license may be imposed.

Taxpayers who operate in multiple locations or under multiple names must obtain a TPT and municipal TPT license for each location. Taxpayers who operate in multiple locations or under multiple names and files a consolidated tax return is required to pay only one municipal TPT renewal fee for each jurisdiction. Taxpayers who operate in multiple locations or under multiple names and does not file a consolidated tax return is required to pay a license renewal fee for each location in each jurisdiction.

Requires, beginning October 1, 2014, the Department, to mail a single TPT license renewal notice to each taxpayer. The notice must include all locations maintained by the taxpayer.

#### Administrative Procedures

The cost of credit card convenience fees that are paid by taxpayers for tax payments can now be extended to other fees and payments.

Eliminates the expanded online portal for filing and paying municipal TPT and allows, rather than requires, current non-program cities to pay for the electronic system maintained by the Department.

Municipal TPT levied by a city or town will be governed by state tax administration statutes and appeals of audit assessments are administered pursuant to state procedures.

Trained and certified third-party auditors are precluded from representing a taxpayer in any tax matter.

Establishes procedures to address refund requests related to municipal TPT returns filed prior to January 1, 2015.

The Department may establish a system to allow for e-signatures on all returns, statements, and other filed tax documents regardless of whether the system complies with current electronic and digital signature statutory requirements.

Taxpayers operating in multiple locations or under multiple names are required to e-file tax returns.

Hearings pursuant the Model City Tax Code for non-program cities relating to liabilities established before January 1, 2013 and appeals from supplementary audits performed by program cities for all audits and assessments initiated prior to January 1, 2015 will be heard by the Municipal Tax Hearing Office.

#### Prime Contracting Classification

The Department is required to provide a specific exemption certificate for contractors who are no longer required to be licensed and pay TPT under the prime contracting classification.

Clarifies that the gross proceeds of sales or gross income derived from a contract with the owner of real property for the maintenance, repair, replacement or alteration of existing property is not subject to TPT.

The definition of modification is clarified by eliminating “addition” and “subtraction”.

#### Restaurant Classification

Qualifying transactions made with benefits issued to members of the Supplemental Nutrition Assistance Program (SNAP) under the Restaurant Program are exempted from TPT.

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#### **House Bill 2415 (Chapter 228)**

Prime contracting deductions; waste facility

Retroactive to January 1, 2013, establishes a deduction under the prime contracting classification of the TPT for the gross proceeds of sales or gross income derived from a contract for the construction of a mixed waste processing facility located on a municipal solid waste landfill that is constructed for the purpose of recycling solid waste or producing renewable energy from landfill waste.

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#### **House Bill 2546 (Chapter 174)**

Alarm businesses; alarm agents; regulation

Beginning January 1, 2015, exempts alarm system monitoring services from municipal transaction privilege tax.

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#### **House Bill 2701 (Chapter 276)**

TPT; health sciences institutions; exemption

Personal property that is sold to or purchased by a qualified health sciences educational institution is exempt from transaction privilege, use and municipal excise tax.

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#### **Senate Bill 1301 (Chapter 245)**

2014 tax corrections

See Multiple Tax Types.

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#### **Senate Bill 1331 (Chapter 121)**

Model City Tax Code; changes

Specifies that retroactively to taxable periods beginning July 2, 1988, any changes to the model city tax code that are not reflected in the official copy on file with the Department of Revenue are void and have no effect.

Any claim for a refund of transaction privilege tax paid based on the retroactive application of this legislation must be submitted to the Department or the appropriate city by December 31, 2014. The burden is on the taxpayer to establish by competent

evidence the amount of any such refund claim. The total amount of refunds issued based on the retroactive application cannot exceed \$10,000.

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### **Senate Bill 1413 (Chapter 7)**

Taxes; manufacturers' electricity sales; exemption

The gross proceeds of sales or gross income derived from the sale of electricity or natural gas to, and purchases of electricity and natural gas made by, a business that is principally engaged in manufacturing or smelting operations from transaction privilege tax under the utility classification and use tax. Qualified manufacturing or smelting operations must use at least 51% of its electricity in the manufacturing or smelting operation.

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## **Property Tax**

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### **House Bill 2283 (Chapter 139)**

TPT; postmark; filing by mail

See Multiple Tax Types.

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### **House Bill 2395 (Chapter 209)**

Property tax calculations; school districts

The county school superintendent is required to annually certify the amount of Equalization Assistance and additional amount to be levied from primary property taxes to the Property Tax Oversight Commission (PTOC) by July 25.

Additionally, the county school superintendent must annually file an estimate of the amount of monies required by each school district in the ensuing year, based on each school district budget, with the governing board of each school district and the PTOC by July 25.

The PTOC is required to review the primary property tax calculations.

The county school superintendent must annually file the amount required to be levied for each school district, for primary property taxes, with the County Board of Supervisors and PTOC by the third Monday in August.

If the PTOC notifies a school district of an incorrect calculation and the school district disputes the finding, a hearing may be held before the PTOC.

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### **House Bill 2403 (Chapter 264)**

Renewable energy equipment; valuation

For purposes of valuing renewable energy equipment, taxable original cost is defined as the original cost of the renewable energy equipment minus the value of applicable investment and production tax credits or cash grants.

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### **Senate Bill 1301 (Chapter 245)**

2014 tax corrections

See Multiple Tax Types.

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### **Senate Bill 1352 (Chapter 249)**

Property tax roll; corrections

Updates statutes related to corrections to the tax roll.

#### Annual Notice of Full Cash Value

If an assessor discovers an incorrect opinion of value, the assessor has 60 days to amend a notice of valuation. The assessor must inform the property owner of any amendments to a notice of valuation and to certify the amended notices with the Board of Supervisors and the Department of Revenue. Before mailing amended notices of valuation, the assessor must receive approval from DOR.

#### Destruction of Property after Closure of the Tax Roll

Property owners may file a notice of claim to prorate a property's value from the date of destruction, in the event that property is destroyed after the assessor has closed the tax roll. The assessor is required to prorate the property value from the lien date to the date of destruction.

#### Notice of Proposed Correction

The tax officer (the Department of Revenue, county assessor or county treasurer, as applicable) is required to mail a taxpayer a notice of the proposed correction after a determination that real or personal property has been assessed improperly as a result of a property tax error.

Taxpayers may appeal any valuation or legal classification issue that arises from the proposed correction made by the tax officer. The tax officer must meet with the taxpayer to discuss the proposed correction. The tax roll must be corrected

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immediately if the tax officer and taxpayer agree on all or part of the proposed correction, which must be ratified in a signed agreement.

If the parties fail to agree on all or part of the proposed correction, the tax officer is required to serve a notice to the taxpayer within thirty days after the meeting date, informing the taxpayer that the tax roll will be corrected to the extent agreed. The taxpayer may file a petition with the State Board of Equalization within 30 days after the date of the notice.

#### Notice of Property Tax Error Claim

If the tax officer disputes a property tax error brought forth by a notice of claim, the tax officer must notify the taxpayer of the time and place of a meeting between the taxpayer and the tax officer within sixty days of receiving a notice of claim.

The tax roll is required be corrected immediately should both parties come to an agreement. The taxpayer may file a petition with the State Board of Equalization in the event that an agreement cannot be reached.

#### Corrected Billing Notice

The County Treasurer must mail a corrected billing to the taxpayer after the taxpayer consents to a tax roll correction, the tax officer consents to the notice of claim, the Board makes a final decision, or the final ruling by a court of competent jurisdiction.

The assessed taxes must be paid within 90 days after the date the corrected billing is mailed to the taxpayer, or be declared delinquent.

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## **Luxury Tax**

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### **House Bill 2674 (Chapter 160)**

Tobacco settlement agreement

Beginning July 1, 2015, all tobacco product distributors must electronically file returns and reports using the DOR e-file program. Additionally, distributors of other tobacco products must remit taxes by electronic funds transfer on or before the due date. Failure to comply will result in a 5% penalty. Any tobacco distributor or liquor wholesaler who fails to file a required report or return is subject to a civil penalty of \$100 per

month, with a maximum penalty of \$500, for any single report or return.

Codifies wholesaler, distributor and retailer requirements currently contained in the Arizona Administrative Code.

Establishes conditions for the issuance, suspension and cancelation of distributors' licenses.

End dates the current 1-4% tiered structure discount rate for cigarette tax stamps to the periods prior to October 1, 2014. Establishes a new discount cigarette tax stamp rate at 96% of the stamp's face value for periods beginning October 1, 2014.

Refunds or rebates will be given in an amount equal to 96% of the stamp's face value.

DOR is authorized to enter into intergovernmental agreements with tribes for the purpose of collecting and administering tribal tobacco taxes on behalf of the tribe, provided that such agreements include a uniform or coordinated audit process.

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### **Senate Bill 1180 (Chapter 110)**

Luxury privilege tax

Specifies that tax returns and payments that are mailed and do not contain a postmark date are considered timely if received within 5 days of the due date of the filing.

For taxpayers choosing to file and pay by mail, transaction privilege tax returns and payments are considered delinquent if not received by the second to last business day of the month.

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## **Multiple Tax Types/Miscellaneous**

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### **House Bill 2046, (Chapter 43)**

Disaster recovery; businesses; tax; regulation

Out-of-state companies and employees who are in Arizona temporarily to perform disaster recovery work during a disaster period are exempt from income, withholding, use and property taxes.

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### **House Bill 2283 (Chapter 139)**

TPT; postmark; filing by mail

Specifies that tax returns and payments that are mailed and do not contain a postmark date are considered timely if received within five days of the due date of the filing.

For taxpayers choosing to file and pay by any other method, transaction privilege tax returns and payments are considered delinquent if not received by the second to last business day of the month.

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### **House Bill 2694 (Chapter 275)**

Theme park districts; formation; bonds

Makes statutory changes for the formation and regulation of Theme Park Districts (Districts). A District may include a combination of a county with a population between 125,000 and 150,000 persons and a city with a population between 3,000 and 5,000 persons that is located entirely in that county. Additionally, a District may be established with a single theme park site. After the District is initially established, additional sites may be added and the geographical boundaries be modified.

Removes the requirement that negotiable revenue bonds issued by a District be insured.

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### **Senate Bill 1160 (Chapter 185)**

Registrar of contractors; discipline grounds

The Registrar of Contractors is required to temporarily suspend or permanently revoke the license of a person upon notice from the Department of Revenue that a tax debt related to income taxes, withholding taxes or transaction privilege taxes incurred in the operation of the licensed business has become final and the person neglects to pay or refuses to pay the tax debt.

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### **Senate Bill 1301 (Chapter 245)**

2014 tax corrections

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

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### **Senate Bill 1351 (Chapter 80)**

Multipurpose facilities districts; rio nuevo

Modifies the membership of the Rio Nuevo Multipurpose Facilities District Board of Directors to include residents of the county in which the District is located, at least four of whom must reside in the municipality in which the District is located.

The Board is required to submit an annual report by October 1 of each year regarding the activities,

operations, revenues and expenditures of the District for the preceding fiscal year.

The requirement that monies distributed to the District can only be used until a notice to proceed is issued for a hotel and convention center located on the multipurpose facility site is eliminated.

For public funds distributed and expenditures of greater than \$500,000 or more, each board member must provide advance notice of the consideration of the expenditure. The notice must be provided at least two weeks before the date of the meeting and must be posted to the District's website on the day the notice is mailed.

Each board member must also provide a written statement as to whether the member has financial interest in the subject of the proposed expenditure. The Board may not artificially divide or fragment planned expenditures in order to circumvent the expenditure requirements.