

# **ATRA OPPOSES HB 2042**

## ***Imposes an Unreasonable Limit on TPT Refunds & Credits***

### **Background**

The State of Arizona imposes a transaction privilege tax (TPT) on businesses engaging in taxable business activities, measured by the gross proceeds of sales or gross income. The TPT varies from a sales tax in that the tax is levied on the business, not the consumer, and therefore the business is required to remit all TPT collections to the state, regardless if the tax is passed on to consumers.

An important aspect of having a TPT system rather than a sales tax is that it gives the state authority to impose tax on transactions with the Federal government, which can result in a significant amount of revenue for the state.

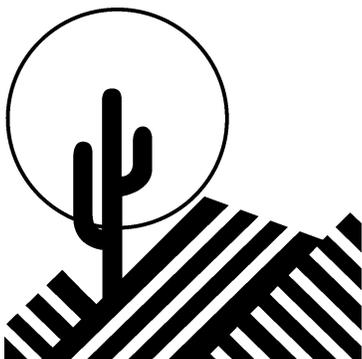
This piece of legislation would give the Department of Revenue the power to refuse to give a taxpayer a refund or credit for overpayment of TPT taxes unless the taxpayer can provide a list of all its customers from which the excess taxes were collected and establish that the customers will receive the refunded or credited amount within 60 days after receiving the refund or credit.

### **Basis for ATRA's Opposition**

HB 2042 creates an unreasonable barrier to a taxpayer's right to receive a refund of overpayment of taxes. The Arizona Supreme Court in *Pittsburgh & Midway Coal Mining vs. Arizona Department of Revenue* (1989) stated, "an honorable government would not keep taxes to which it is not legally entitled."

HB 2042 also creates the possibility of losing millions of dollars in transactions to the Federal government. Once the basis for a TPT refund or credit is directed onto the customer rather than the business activity, Arizona begins to take on the characteristics of a sales tax state rather than TPT with the danger of losing the ability to collect millions of dollars in taxes on sales made to the Federal government.

## **ATRA URGES YOU TO VOTE *NO* ON HB 2042**



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