

ATRA SUPPORTS SB 1274

Expansion to Arizona's Taxpayer Bill of Rights

SB 1274 provides three important additions to the Arizona's Taxpayer Bill of Rights originally passed in 1994. First, the bill would place a two-year limit on the length of an audit by the Department of Revenue (DOR). Second, DOR would be required to provide the taxpayer with a written explanation at the time DOR issues a deficiency assessment or refund claim denial. Third, SB 1274 provides clarity to the definition of "affected class" when determining whether 60% of taxpayers have a misunderstanding of remitting taxes. In addition, SB 1274 contains a clean-up provision from last session's tax amnesty legislation.

Audit Time Limit

Currently, audits by DOR are not limited in duration and as a result, audits have gone on for many years in some cases. SB 1274 limits the length of an audit from the date of initial audit contact to the issuance of a notice of proposed deficiency assessment to two years. A number of exceptions are provided to allow audits in excess of two years in the event actions by the taxpayer prolong the audit.

Audit Documentation

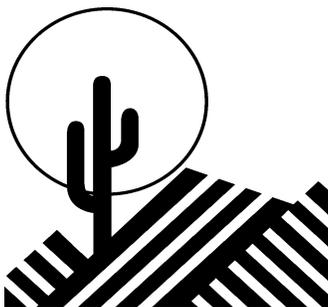
SB 1274 requires DOR to provide the taxpayer with a written explanation of all adjustments made when issuing a deficiency assessment or denying all or part of a claim for refund.

Definition of "Affected Class"

In determining noncompliance in remitting tax obligations, extensive misunderstanding or misapplication occurs if DOR determines that more than 60% of taxpayers in an affected class failed to properly account for taxes owed to the same misunderstanding or misapplication. Some classifications are very broad, such as the prime contracting class under the transaction privilege tax (TPT), which can include many diverse businesses that may or may not be affected by certain tax policy issues. If the department finds that extensive misunderstanding exists among a class of taxpayers, the department may enter into an agreement with taxpayers to abate some or all of the penalties, interest and tax that taxpayers failed to remit. In order to accurately recognize taxpayers that may have a common misunderstanding of tax policy, such as a landscaping business verses a painting business, SB 1274 defines "affected class" to mean those taxpayers directly affected by the department's position in a tax matter.

Amnesty appeal rights

Last year's legislation authorizing a state tax amnesty created the potential that taxpayers who were audited and assessed additional tax by the Department of Revenue after the filing of an amnesty application would lose all administrative and judicial appeal rights. Such a denial of appeal rights could be considered an unconstitutional violation of the right to due process. SB 1274 clarifies that such taxpayers retain all their appeal rights.



Vote YES on SB 1274

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