

ATRA SUPPORTS HB2055

Conforming municipal interest and tax refund filing requirements with the state

Background

The Department of Revenue (Department) is the sales tax collector for all but 12 cities in the state. The cities in which the Department is the tax collector are referred to as “program” cities, whereas the 12 cities that collect their own sales tax are referred to as “non-program” cities. The non-program cities include Avondale, Chandler, Flagstaff, Glendale, Mesa, Nogales, Peoria, Phoenix, Prescott, Scottsdale, Tempe, and Tucson.

The non-program cities currently have a different set of rules for refund filing requirements, as well as different rates at which interest accrues on deficiency assessments and refunds. The different rules and varying interpretations pose obvious problems for taxpayers. HB2055 attempts to create uniformity in treatment for taxpayers regarding access to refunds as well as interest.

Basis for ATRA’s Support

HB2055 is an attempt to conform the non-program city filing requirements and interest accrual to that of the state, as well as the program cities. The conforming changes are as follows:

- Prohibits the tax collector from conditioning any refund to a taxpayer on a requirement that the taxpayer remit the refund to its customers. Since Arizona has a transaction privilege tax rather than a sales tax, the legal incidence for the tax is on the taxpayer – not the taxpayer’s customers. This conforms to the treatment for refunds by both the state and program cities.
- Equalizes the non-program city interest rates on overpayments and deficiencies by conforming to the state. The state follows the IRS interest rate, which can fluctuate quarterly. The state’s current rate of 5% is also followed by the program cities. Some non-program cities currently charge as high as 18% interest on deficiency assessments and offer as low as 1% interest on refunds.
- Considers a refund request to have been filed on the date of its original filing. In addition, the refusal of a tax collector to process a claim may be appealed by the taxpayer.
- For a denial to occur, the tax collector must issue an express written “denial” containing the grounds for the denial, plus express written notification of the appeal deadlines. This alerts the taxpayer that the appeal time limits have been triggered.
- Provides that additional information requested by the tax collector must be reasonably related to the refund claim. For instance, the tax collector is prohibited from requesting information that the taxpayer is not otherwise required to keep in its records under the recordkeeping requirements of the model city tax code.



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