TPT and Possible 2014 Legislation

SUMMARY OF HB 2111 PROVISIONS

1. Single Point of Payment:
   • Business remits payment to one single location-DOR-either online portal or with one single paper form

2. Single Audit
   • DOR administers system, provides uniform audit manual, and trains and certifies all state & city auditors
   • Single audit covers the state, county, and city
   • DOR audits multi-jurisdictional taxpayers; Cities audit taxpayers that operate only in their city
   • All taxpayer protests go through the Office of Administrative Hearings
3. Contracting

- Exempts service contractors from prime contracting
  Service Contractor = Repair, Replace, Maintain

- Allows service contractors working as subcontractors to obtain specific exemption certificates for retail tax for materials incorporated into a taxable project
TPT IMPLEMENTATION

• August “Kick-Off” meeting hosted by the Governor’s Office included the following stakeholders:
  • Legislators
  • DOR
  • Cities
  • Taxpayers
  • Practitioners
  • Business Associations
  • Lobbyists

• Stakeholders signed up for committees at the kick-off meeting. Members consist of businesses, DOR, cities, tax practitioners and other interested parties.
IMPLEMENTATION COMMITTEES and DOR Committee Chairs

- Audit
  - Tom Johnson
- Portal
  - Cynthia Ramey
- Administration
  - Lynette Nowlan
- Contracting
  - Christie Comanita
ADOR HB 2111 SIMPLIFICATION PROGRAM TIMELINE

• Summer 2013-Fall 2013
  • Discovery
  • Research and Analysis
• Fall 2013-Summer 2014
  • Development of procedures, training, design, and legal clarifications
• Fall 2014-Winter 2014
  • Solution testing
  • Training delivery
ADMINISTRATION IMPLEMENTATION
EFFORTS TO DATE

• DOR has completed analysis of process flows from licensing to returns to payments to distributions
• DOR will continue to document processes and system capabilities
• DOR will compare city requirements and identify gaps
• City of Phoenix is the acting liaison for all non-program cities
• Both DOR and League have said their meetings have gone well
PORTAL EFFORTS TO DATE

• DOR making improvements to AZTaxes – current online sales tax filing system
• Both DOR and League have said they are working well together and progress is being made
• DOR and League have performed tests extracting municipal data with success
• Separate Portal may not be needed. More testing needs to be done.
AUDIT IMPLEMENTATION
EFFORTS TO DATE

• Audit Workpaper/Manual/Training
  • All current workpapers and manuals have been collected and reviewed
  • State and City of Scottsdale manual will be combined to form new Audit Manual based on a single audit process
  • City of Mesa audit workpapers will be the base for new gross receipts/deduction detail schedule
  • Current state tax calculator will be used for all auditing jurisdictions
  • New audit programs by TPT classification will be a combination of state and municipal programs
DOR is currently performing research and analysis
POSSIBLE 2014 TAX LEGISLATION

• Tax reform to attract manufacturers to AZ
  - no sales tax on electricity for manufacturers
  - more details from Governor in January

• Sales Tax legislation:
  • TPT clean-up bill: yet to be determined
  • One stop shop for purchasing and renewing sales tax licenses
  • Implement a uniform penalty fee and interest rate on past due sales taxes among the state and cities

• Taxpayer Protections:
  • Increase transparency and oversight of K-12 property tax levies to ensure taxpayers are not being overcharged. Unlike other jurisdictions, K-12 tax levy oversight is not effective.
POSSIBLE 2014 TAX LEGISLATION

• Taxpayer Protections (continued):
  • Measures to ensure that taxpayer funded publicity pamphlets aren’t just marketing tools for the Yes vote. Look at language. Look at submission deadline dates.
  • Greater transparency in K-12 M&O overrides. Counties and Community Colleges have a fixed dollar amount override. K-12 overrides are based on a % of their budget which can increase each year.
  • Waiting period between bond and override elections after a measure fails at the ballot.
  • Re-visit the city parcel tax prohibition bill that didn’t make it through last year.
2014...I’m excited! Are You?

Other tax legislation???: I’m already hearing from some of you and I’m sure my calendar will be full with meetings on new proposals. 😊

Questions?