



The undersigned organizations strongly encourage you to vote no on House Bill (HB) 2723 that would give community facilities districts (CFD) unprecedented access to the sales tax.

Under current law, a CFD can be created either through an election upon majority approval of the landowners or if 100% of the land owners sign a petition. Once the district is created, a secondary property tax may be levied to fund the cost to construct public infrastructure, as well as the maintenance and operations expenses.

HB2723 would reduce the petition requirement from 100% of the land owners to only two-thirds to approve creation of a district in a community that is within ten miles of the boundary of a national park or monument that has a population of at least 500 persons (Tusayan). If created, the district would be allowed to levy a 5% sales tax rate in lieu of a property tax or special assessment.

We are opposed to allowing special taxing districts access to the sales tax. Arizona's sales tax system is complex and compliance can be a challenge for taxpayers. The layering of taxing jurisdictions makes tax compliance even more difficult especially for multi-jurisdictional taxpayers that must know who to remit the taxes to and how much.

A recent article published in the East Valley Tribune reported on one of the complications that taxpayers can encounter with the sales tax system. In this particular case, the taxpayer (Pulte Homes) had incorrectly remitted sales tax to the Town of Queen Creek when in fact the tax was not owed since the development occurred in the unincorporated area of Pinal County. As a result of this mistake, Queen Creek will have to refund more than \$1 million in sales tax revenue, which is approximately 8% of the town's total forecasted sales tax.

The article quotes a Queen Creek administrator as saying "Boundaries are not always the easiest to define. With all of these different boundaries and islands, it's difficult. This Pulte case is another example of the challenge we have as a town to try and define where our jurisdictional limits are."

The lines will become even more blurred if special districts, in which the boundaries are even more difficult to define than city boundaries, are given the authority to levy a sales tax. The undersigned organizations believe that allowing CFD's access to the sales tax would set a bad precedent and we ask lawmakers to vote no.

Arizona Tax Research Association  
Arizona Chamber of Commerce and Industry  
Phoenix Chamber of Commerce  
Arizona Retailers Association