

ATRA SUPPORTS SB1185

Use Tax Percentage-Based Reporting

Background

Generally, use tax is levied on a purchaser who acquires property outside Arizona from a retailer and then stores, uses or consumes the property in Arizona.

Taxpayers are currently required to file returns with the Department of Revenue (Department) based upon actual purchases, which are subject to use tax. Depending on the type of business, as well as the level of business activity, remitting use tax payments according to actual purchases can be costly from a taxpayer resources standpoint. Allowing taxpayers to remit use tax payments with use tax percentage-based reporting promotes efficiency, simplicity, and flexibility.

Basis for ATRA's support

Under SB1185, the Department may authorize a taxpayer that holds a use tax direct payment permit to use a percentage-based reporting method for determining use tax payments. All taxpayers become eligible for the program after taxable periods beginning June 30, 2007. The Department works with the taxpayer to determine the percentage and standards to be applied based on an analysis of the taxpayer's historical data and may issue a letter of authorization, which is valid for up to four years.

Flexibility is provided by allowing the Department the right to revoke a letter of authorization at any time if there is a change in law or administrative rule, a change in the taxpayer's business operations, or if a taxpayer commits fraud, malfeasance, or misrepresents material facts.

Other states that allow for use tax percentage-based reporting include Alabama, Arkansas, California, Connecticut, Georgia, Hawaii, Indiana, Iowa, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, New Jersey, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Texas, Virginia, West Virginia, and Wisconsin.

Use tax is a difficult compliance area for taxpayers. Giving taxpayers the option of using a percentage-based reporting method in this area would be good for both government and taxpayers.

ATRA URGES YOU TO VOTE YES ON SB1185



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