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ARIZONA TAX RESEARCH ASSOCIATION

ATRA SUPPORTS HB2119 ***Model City Tax Code Notifications***

Arizona is one of a few states that allows for an independent municipal sales tax structure. Through the Model City Tax Code (MCTC), Arizona cities are allowed to tax transactions that are exempt at the state and county level. Additionally, through the adoption of “local” and “model” options, the tax base among the state’s 91 cities and towns can also vary.

For decades, this has caused confusion among taxpayers who are not taxable at the state level and are not made aware of a city tax liability until they are audited by a city.

HB2119 requires municipalities to inform city business license applicants if they’re subject to a local or model option at the time of obtaining the application from the city. Furthermore, a municipality is required to notify all businesses in an affected business classification at least 60 days before the adoption or repeal of a local or model option.

ATRA worked with the Department of Revenue on the Senate Finance amendment that reinforces DOR’s current authority to share taxpayer information with the cities for notification purposes. The amendment also further clarifies that only those cities that issue business licenses will be required to notify business license applicants if they will be taxable under a MCTC local or model option.

HB2119 is good policy for both the taxpayers and cities and ATRA encourages Lawmakers to Vote YES!