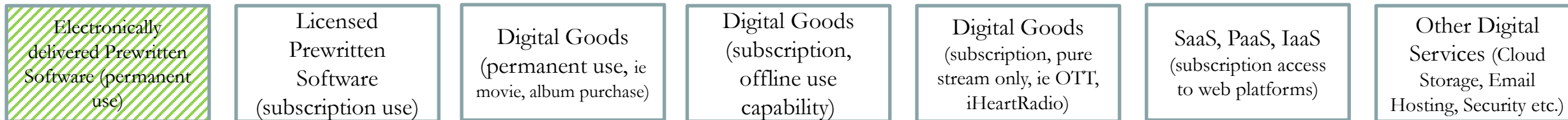
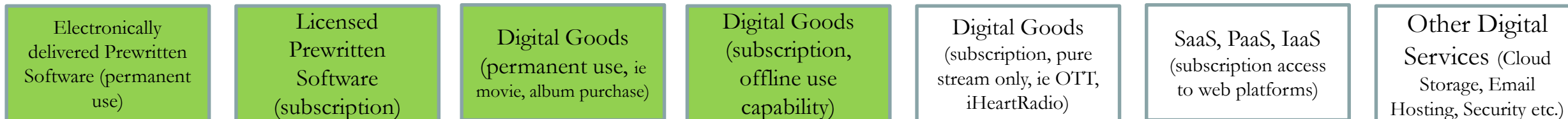
 = taxable

Current Rule (No statutory law)

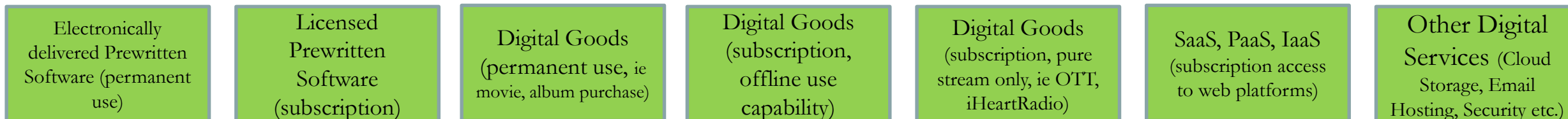


*legally disputed

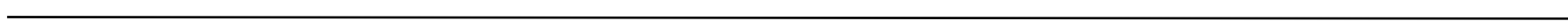
HB2479/SB1392 proposed



League of Cities & Towns position



Goods



Services

"An honorable government would not keep taxes to which it is not entitled." AZ Supreme Court (1989) in Pittsburg & Midway Coal Min. Co v. Ariz. Dep't of Revenue

The taxpayer's watchdog for over 75 years



League's Position violates Federal Law TWICE

- 1998 Federal Internet Tax Freedom Act (ITFA): “Horizontal Equity”
 - Cannot tax digital products that are not also taxed in an analog format
 - League’s position that all cloud services are taxable violates ITFA
 - Cloud Storage = physical storage not taxable at state level
 - Email Hosting = courier services not taxable
 - LegalZoom (SaaS) = Legal services not taxable
- League argues state losing revenue by switching from rental to retail
 - Admit to using personal property rental class to illegally ignore *Quill* nexus laws, because the rental tax is sourced to where it is used
 - Telling out-of-state vendors they must collect AZ tax because use is in AZ, violating *Quill*
 - SB1392 fixes this issue by applying Use tax on Digital Goods/Software for out-of-state products
 - This view of nexus also violates IFTA; non-digital out-of-state providers are not collecting AZ sales tax on rentals of personal property