



## **Statement of Position in Support**

### **HB2657 – Transaction Privilege Tax changes**

**Sponsors: Representatives Lesko, Boyer, Cardenas, et al.**

Distinguished State Legislators and Governor:

The Small Business Alliance (SBA) is an advocacy organization that represents over 600 small businesses throughout Arizona. We are a fast growing organization, and a key element of our mission is to inform our membership of policy issues both on a local and State level, and then represent and advocate for their interests.

The Small Business Alliance would like to express our strong support for HB 2657, legislation which would reform Arizona's complicated TPT system. It has long been recognized that the current TPT collections, reporting, and auditing system is one of the most complex and burdensome in the country. For decades policy makers and businesses have been aware of the drain on economic resources that are spent mired in red tape instead of the generation of tax producing activities.

As a small business community, we cannot impress enough the levels of frustration associated with the current multi-jurisdictional taxing and auditing system. Anecdotally, one local contractor (and member) stated that his business, which produces revenues of approximately \$7 million a year, spends \$2500.00 a month to an accountant for the single service of remitting sales tax to the many cities in which they pull permits. This does not scratch the surface of expenses in time, money, and fear of constant auditing. For a small business, this is crushing to the bottom line as well as morale.

Hundreds of businesses are currently operating outside the law, remitting TPT to only one city they do business in. It would seem that laws that create so much confusion and are an excessive burden to comply with are simply bad policy and create lawbreakers of what would ordinarily be honest, tax paying businesses. Standardization of TPT licensing would largely fix this challenge.

On the issue of construction sales tax, we know this is a complex issue that poses a delicate balance between the businesses and local governments. As an organization we have made an

effort to educate ourselves on the municipal perspective of this bill. After all, we are businesses as well as residents and understand that certain communities rely on construction sales tax to fund core services that we benefit from. We do not want to see a shift in the burden of taxes that divides our communities and embroils them in debate as they struggle to fill budget shortfalls.

The SBA supports Representative Mesnard's amendment as a practical compromise and a good faith effort to make the cities and towns whole. We encourage our local governments to provide the necessary data that would illuminate the proper formula for reimbursements to hedge large shortfalls. With this being said, we philosophically support the bill's intention to tax materials at the point of sale.

We recognize the municipality's arguments for delaying this bill, but cannot support it. It is the small businesses that carry the weight of delay, and in our opinion we have waited long enough. It is our sentiment that this issue has been raised and buried too many times with *businesses* continuing to pay the price with zero relief. Our fear is if this Legislature does not make reforms now, the issue will die once again barring another policy maker courageous enough to resurrect it.

Several of the reforms inhered in HB2657 impact thousands of businesses in Arizona currently, and thousands who would consider Arizona for their future home. The Small Business Alliance and its members passionately urge the Legislature to please do not delay the simplifications owed to the business community for years.

Respectfully Submitted,

Lisa Rigler

Small Business Alliance AZ