State of Arizona  
Senate  
Fifty-first Legislature  
Second Regular Session  
2014

CHAPTER 121

SENATE BILL 1331

AN ACT

AMENDING SECTION 42-6053, ARIZONA REVISED STATUTES; RELATING TO THE MODEL CITY TAX CODE.

(TEXT OF BILL BEGINS ON NEXT PAGE)
Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 42-6053, Arizona Revised Statutes, is amended to read:

42-6053. **Official copy of model city tax code; review and comment on proposed changes**

A. The department of revenue shall:
   1. Maintain the official copy of the model city tax code.
   2. Post the official copy on the department’s official website.

B. At least sixty days before adopting any modification or amendment of the model city tax code a city or town shall submit the proposed modification or amendment to the municipal tax code commission for review and recommendation.

C. The commission shall review and comment on language submitted by any city, town or taxpayer for the purpose of describing, defining, deleting, adding or otherwise modifying taxable activities, exemptions, administrative procedures or regulations relating to the model city tax code. The commission may hold public hearings within thirty days after receiving a proposed amendment or modification for the purpose of reviewing and receiving comments on the proposed changes, shall consider any information and testimony presented at the hearing, may require changes to the language presented at the hearing and may require changes to the language presented by the city or town or taxpayer. All changes to the model city tax code must be reflected in the official copy on file with the department of revenue within ten days after the commission’s approval. ANY CHANGES NOT REFLECTED IN THE OFFICIAL COPY ON FILE WITH THE DEPARTMENT OF REVENUE ARE VOID AND HAVE NO EFFECT.

D. Changes to the model city tax code approved by the commission shall be adopted by all cities and towns. This requirement shall not be construed to prohibit the commission from recommending a model or local option or changes to a model or local option contained in the model city tax code to be adopted only by those cities and towns choosing the option or from approving a change submitted by a city or town that does not apply to any other city or town. The city or town shall not adopt a modification or amendment of any provision of the model city tax code unless it has been approved by the commission.

E. Changes in rates of tax are not subject to review, but within ten days after passage of the ordinance imposing a rate change:
   1. The city or town imposing a new or different tax rate shall notify the commission and the department of revenue. FOR THE PURPOSES OF THIS SUBSECTION, A "NEW OR DIFFERENT TAX RATE" MEANS THE ADOPTION OR REPEAL OF A MODEL OR LOCAL OPTION OR ANY CHANGE THAT INCREASES THE AMOUNT OF TAX A TAXPAYER MUST PAY TO A CITY OR TOWN. FAILURE OF A CITY OR TOWN TO NOTIFY THE COMMISSION AND, BEGINNING JULY 1, 2012, THE DEPARTMENT OF REVENUE RENDERS THE NEW OR DIFFERENT TAX RATE VOID AND HAS NO EFFECT.
   2. The change must be reflected in the official copy of the model city tax code. ANY CHANGE NOT REFLECTED IN THE OFFICIAL COPY OF THE MODEL CITY TAX CODE IS VOID AND HAS NO EFFECT.
Sec. 2. **Declaration of intent**

It is the intent of the legislature in amending the provisions of section 42-6053, Arizona Revised Statutes, as specified in this act to clarify that a tax rate change subject to the notice requirement of section 42-5063, subsection E, paragraph 1, Arizona Revised Statutes, includes the adoption of a model or local option or any change that increases the amount of tax a taxpayer must pay to a city or town and that the failure of a city or town to report such a change to the municipal tax code commission or, for periods beginning July 1, 2012, to the Arizona department of revenue renders such a change invalid.

Sec. 3. **Retroactivity; refund**

A. Section 42-6053, Arizona Revised Statutes, as amended by this act, applies retroactively to taxable periods beginning from and after July 1, 1988.

B. Any claim for refund of transaction privilege tax paid based on the retroactive application of section 42-6053, Arizona Revised Statutes, as amended by this act, must be submitted pursuant to section 42-1118, Arizona Revised Statutes, to the department of revenue or the appropriate city on or before December 31, 2014. Failure to file a claim on or before December 31, 2014 constitutes a waiver of the claim for refund under this section.

C. The burden is on the taxpayer to establish by competent evidence the amount of any such refund claim. The department of revenue shall:

1. Review all timely filed claims.
2. Determine, on audit if necessary, the correct amount of each claim.
3. Notify the taxpayer of its determination. The notice is final unless the taxpayer appeals in the manner provided in section 42-1119, Arizona Revised Statutes.

D. Notwithstanding section 42-1119, Arizona Revised Statutes, the department of revenue or appropriate city shall not make a refund until after the determination of the amount of all refund claims filed pursuant to this section. If a taxpayer appeals the department's determination, the department pursuant to the rules protecting confidentiality under title 42, chapter 2, article 1, Arizona Revised Statutes, may notify other taxpayers who have filed claims under this section as to the nature and extent of the delay.

E. The total amount of refunds issued under this section shall not be more than ten thousand dollars. If the total amount of refundable claims filed under this section is more than ten thousand dollars, the department shall reduce each claim proportionately so that the total amount of refunds is not more than ten thousand dollars.

F. Interest shall not be allowed or compounded on a refund paid before July 1, 2015. Unpaid refund amounts from and after June 30, 2015, shall accrue interest under section 42-1123, Arizona Revised Statutes.

APPROVED BY THE GOVERNOR APRIL 22, 2014.