



Arizona Tax Digest 2023



ARIZONA TAX
RESEARCH ASSOCIATION

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INTRODUCTION

The *Arizona Tax Digest* is intended to provide a quick reference of key information for taxpayers and others interested in Arizona's state and local tax systems. It is not a complete guide of all taxes, licenses or other revenues collected by state and local governments in Arizona, since a number of other direct and indirect revenue sources have not been included.

The taxes and fees described herein totaled nearly \$37.7 billion in fiscal year (FY) 2022.

In addition to the State of Arizona, these revenues went to the following taxing authorities:

- 15 Counties
- 91 Cities and Towns
- 213 School Districts
- 14 Joint Technological Education Districts
- 12 Community College Districts
- 145 Fire Districts
- Over 1,800 Other Special Districts

We gratefully acknowledge the cooperation and assistance of the various departments and agencies whose tax structures are summarized here.

Your participation in the Arizona Tax Research Association is invited. For information regarding membership, please contact:

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Arizona Tax Research Association
Serving Arizona Taxpayers Since 1940

AIRCRAFT LICENSE TAX

Enacted: 1964

Agency: Department of Transportation
602-712-7441

STATUTE	28-8321 through 28-8347	
SUBJECT	Owners of aircraft based in this state.	
MEASURE	Aircraft's average fair market value.	
RATE	<p>\$5 annual registration fee (late penalty of \$25 for first month; \$5 for each succeeding month). The tax rate is 0.5% of fair market value but never less than \$20 per year unless an exemption has been established. Non-resident who bases aircraft in this state for more than 90 days but less than 210 days in any calendar year and is not engaged in intrastate commercial activity: 0.1% of fair market value. Aircraft in storage or under repair; antique, classic, warbird, glider, experimental, or homebuilt aircraft, manufacturer's aircraft, and non-resident maintenance aircraft: \$20. Salvaged aircraft that is in storage or is being restored: \$5. Government aircraft must register but pays no tax.</p>	
DISPOSITION	<p>50% to the State General Fund, 35% to the State Aviation Fund for use in the construction, development, and improvement of airports, 9.5% to counties and 5.5% to incorporated cities and towns based on population.</p>	
PROCEDURE	<p>Paid to the Arizona Department of Transportation upon initial registration (within 60 days after the aircraft is brought into the state) and annually on or before the last day of February. Sworn affidavit must be filed annually to qualify for special rates.</p> <p>Owners of aircraft in storage or salvaged aircraft must notify ADOT within 10 days of returning aircraft to use and then pay the appropriate license tax, if any, on a pro rata basis.</p>	
EXEMPTIONS	<p>Aircraft not required to be registered: Aircraft operated by regularly scheduled airlines for commercial purposes; non-resident not used for intrastate commercial purposes and not based in Arizona for more than 90 days annually; A balloon. Aircraft used for public service operation by the U.S. government, the state, political subdivision or the civil air patrol must be registered but is not assessed a fee.</p>	
YIELD	2017-18	7,032,339
	2018-19	8,174,614
	2019-20	8,269,686
	2020-21	8,658,868
	2021-22	9,379,580

ALCOHOLIC BEVERAGE LICENSE

Enacted: 1933

Agency: Department of Liquor
Licenses and Control:
602-542-5141

4-101 through 4-312	STATUTE
Manufacturers, wholesalers, out-of-state producers, exporters, importers or rectifiers, businesses authorized by local governments to sell liquor, and farm wineries or microbreweries, and retailers of alcoholic beverages.	SUBJECT
A person desiring a license to manufacture, sell or deal in spirituous liquors.	MEASURE
Application fees: Original license, \$100.	RATE
License transfer fees: Person to person, \$300; location to location, \$100.	
Assignment fees: Change of agent, \$100; multiple licenses, \$100 for first license and \$50 for remaining licenses, max fee, \$1,000.	
Original license issuance fees: In-state producers, wholesalers of spirituous liquors, on-sale and off-sale retailers on all spirituous liquors, bar and liquor store licenses, off-sale retailers beer and wine store license, hotels and motels, restaurants, \$1,500; clubs, \$1,000; microbrewery, out-of-state producers, exporters, importers or rectifiers except an out of state winery selling 50 or fewer cases per calendar year, craft distiller, \$200; farm winery, government, \$100; out-of-state winery selling not more than 240 gallons per calendar year in this state, \$25.	
Annual license fees: Hotels, motels, restaurants, \$500; in-state producers, \$350; domestic microbrewery, craft distiller, \$300; wholesalers, \$250; airlines, railroads, boats, \$225; direct shipment wine, \$175; spirituous liquor bars, clubs, \$150; domestic farm winery, government, \$100; beer and wine bars, \$75; out-of-state producers, exporter's, importer's or rectifier's, liquor stores, beer and wine stores, \$50; out-of-state winery selling not more than 240 gallons calendar per year in this state, \$25. All licenses may be renewed every two years with payment of license fees that are twice the amount.	
Other license fees: Special license, \$25/day; Wine Festival, set by Director. The Director may charge a fee for a craft distiller license and for direct shipment licenses for administrative costs.	
Additional surcharges: \$30 on bars and restaurants for the costs of an auditor and support staff to review compliance; \$35 surcharge on all licensees for an enforcement program to investigate licenses subject to multiple complaints; \$20 for hotels, motels, and restaurants and \$35 for all others for neighborhood association interaction and a liquor enforcement management unit.	

ALCOHOLIC BEVERAGE LICENSE

DISPOSITION 2/3 of license fees collected are deposited in the Liquor Licenses Fund and any excess appropriated to the Fund are deposited in the State General Fund. 1/3 of fees collected in each county with a population of 500,000 or less distributed back to that county. Counties with a population of more than 500,000, \$3,000 monthly for each new license issued in unincorporated areas not to exceed \$150,000 annually, the remainder to the State General Fund. Revenues from club licensing to the Economic Security Capital Investments Fund. Special event licenses to the Department of Health Services for evaluation and treatment of alcoholics. Sampling and growler permit receipts deposited in the Liquor Licenses Fund.

PROCEDURE Original license and transfer fees due upon application. Payment for licenses due in advance of renewal. Licenses expire annually. Licenses not renewed before expiration are subject to a \$150 penalty. Licenses not renewed within 60 days are deemed terminated. Direct shipment licenses are valid for one year and are prohibited from being transferred. Limitations apply on the annual direct shipment to purchasers in this state.

EXEMPTIONS Drug stores selling spirituous liquors only upon prescription; any confectionery candy with less than 5% by weight of alcohol; the purchase, storage, distribution, service or consumption of wine in connection with the bona fide practice of a religious belief or as an integral part of a religious exercise by a church recognized by the IRS as a 501(c)(3) in a manner not dangerous to public health or safety; Ethyl alcohol used for the following purposes: (a) scientific, chemical, mechanical, industrial, and medicinal purposes; (b) use by those authorized by Congress to procure spirituous liquor or ethyl alcohol tax-free; (c) in the manufacture of denatured alcohol used and produced as authorized by Congress; (d) in the manufacture of patented, patent, proprietary, medicinal, pharmaceutical, antiseptic, toilet, scientific, chemical, mechanical and industrial preparations or products, unfit and not used for beverage purposes; and (e) in the manufacture of flavoring extracts and syrups unfit for beverage purposes.

YIELD	2017-18	9,741,176
	2018-19	10,064,375
	2019-20	11,541,180
	2020-21	10,820,784
	2021-22	13,236,732

CORPORATE INCOME TAX

Enacted: 1933

Agency: Department of Revenue:
602-255-3381

43-1101 et seq.	STATUTE
Taxation of income from corporations doing business in Arizona.	SUBJECT
Tax Base/Method of Filing: Federal taxable income (separate entity, unitary combination, or federal consolidated taxable income) subject to Arizona statutory additions and subtractions. Unitary members of an affiliated or controlled group of corporations are required to file on a combined basis (A.R.S. §§ 43-941 & 43-942). Affiliated group filing a consolidated federal return may elect (or may be required by the Department) to file a consolidated income tax return to Arizona (A.R.S. § 43-947). Once such an election is made, the taxpayer must continue to file a consolidated Arizona return unless the Department consents to a change of filing method (A.R.S. § 43-947(C)).	MEASURE

Tax Base/Method of Filing: Federal taxable income (separate entity, unitary combination, or federal consolidated taxable income) subject to Arizona statutory additions and subtractions. Unitary members of an affiliated or controlled group of corporations are required to file on a combined basis (A.R.S. §§ 43-941 & 43-942). Affiliated group filing a consolidated federal return may elect (or may be required by the Department) to file a consolidated income tax return to Arizona (A.R.S. § 43-947). Once such an election is made, the taxpayer must continue to file a consolidated Arizona return unless the Department consents to a change of filing method (A.R.S. § 43-947(C)).

Apportionment of Multistate Companies: Arizona follows UDITPA for the apportionment and allocation of multi-state corporations with some modifications (A.R.S. §§ 43-1131 through 43-1150). Property, payroll and sales are the standard factors used in apportioning income with the sales factor double weighted, unless the taxpayer makes an annual election to super-weight the sales factor as follows (A.R.S. § 43-1139):

<u>Tax Year</u>	<u>Property</u>	<u>Payroll</u>	<u>Sales</u>
2009-2013	10%	10%	80%
2014	7.5%	7.5%	85%
2015	5%	5%	90%
2016	2.5%	2.5%	95%
2017+	0%	0%	100%

The standard sales factor uses an income producing activity/costs of performance (COP) sourcing method (A.R.S. § 43-1147(A)). However, beginning in 2014, a “multistate service provider” may make a 5-year binding election to use a four-factor apportionment ratio that includes a market-based sourcing (MBS) factor as follows (A.R.S. § 43-1147(B)):

<u>Tax Year</u>	<u>Property</u>	<u>Payroll</u>	<u>Sales-COP</u>	<u>Sales-MBS</u>
2014	7.5%	7.5%	12.75%	72.25%
2015	5%	5%	9%	81%
2016	2.5%	2.5%	4.75%	90.25%
2017+	0%	0%	0%	100%

Taxpayers engaged in “air commerce” apportion income using a “revenue aircraft miles flown” ratio (A.R.S. § 43-1139(B)).

CORPORATE INCOME TAX

MEASURE (cont.)	<p>No sales factor throwback rule exists. When the application of the standard apportionment ratio creates distortion, taxpayers may petition the Department for, or the Department may on its own require, an alternative method to effectuate an equitable allocation and apportionment of a taxpayer's income (A.R.S. § 43-1148).</p> <p>Net Operating Losses: Beginning in tax year 2012, Arizona-based net operating losses may be carried forward 20 years; previously a 5 year carryforward and there is no carryback (A.R.S. § 43-1123).</p>	
RATE	<p>Through December 31, 2013, 6.968% or minimum of \$50, whichever is greater. For tax year 2014, 6.5%; tax year 2015, 6%; tax year 2016, 5.5%; tax year 2017, 4.9%, with the \$50 minimum tax in effect for all tax years.</p>	
DISPOSITION	<p>Pooled with Individual Income Tax for distribution (see distribution information under Individual Income Tax).</p>	
PROCEDURE	<p>Every corporation subject to the Arizona Income Tax Act of 1978 must file an Arizona corporate income tax return. Calendar year corporations file by April 15 except Subchapter S corporations, which must file at the same time as the federal return. Optional entity-level election for pass-through entities. Fiscal year corporations file by the 15th day of the fourth month following the close of the fiscal year. Payment due with return and estimated payments may be required.</p>	
EXEMPTIONS	<p>Interest on U.S. obligations; Arizona Municipal Bond Interest; dividend income from foreign corporations; dividend income from controlled corporations; net operating loss carryforwards.</p>	
NON CONFORMITY CREDITS	<p>Arizona does not conform to the federal bonus depreciation claimed under IRC § 167(a).</p> <p>Refundable tax credits for qualified investment and employment, increased research and development activity, and motion picture production; pollution control equipment; technology training, solar energy devices, contributions to school tuition organizations; capital investment in renewable energy companies, qualified projects for affordable housing, and many more.</p>	
YIELD	2017-18	373,076,579
	2018-19	514,264,274
	2019-20	511,881,981
	2020-21	847,020,800
	2021-22	1,163,468,873

FLIGHT PROPERTY TAX

Enacted: 1933

Agency: Department of Revenue:
602-716-6843

42-12005; 42-14251 through 42-14257; 42-15005	STATUTE
Airline companies operating flight property in air commerce within the State of Arizona.	SUBJECT
Property Class 5 is assessed annually based on the weighted average of all other classes of income-producing property.	MEASURE
Annual rate levied against flight property is equal to the sum of the average rates for primary and secondary property taxes.	RATE
The rate per \$100 of assessed value is \$11.14 in tax year 2022.	
State Aviation Fund.	DISPOSITION
On or before Aug. 31, the Department determines the full cash value of all flight property as of Jan. 1. Valuation is determined by fleet type by the original cost less depreciation, computed using 15-year straight line depreciation to salvage value (10% of original cost for aircraft out of production, 25% of original cost of aircraft being manufactured as of January of the tax year).	PROCEDURE
Additional obsolescence is allowed if supported by market evidence.	
Small flight property (less than 56 seats having a maximum payload capacity of less than 18,000 pounds) is valued at 30% of original cost less depreciation and allowed additional obsolescence.	
Valuation apportioned to the state of each fleet type is determined by multiplying the total valuation by the product of 50% of the percentage that the total state ground time during the preceding calendar year is of the total system ground time during the preceding calendar year and 50% of the percentage that the total mileage scheduled within this state during the preceding calendar year is of the total mileage scheduled within and out of the state during the preceding calendar year.	
None.	EXEMPTIONS
2017-18	YIELD
2017-18	13,003,735
2018-19	11,728,981
2019-20	13,531,373
2020-21	12,714,725
2021-22	12,655,949

INDIVIDUAL INCOME TAX

Enacted: 1933

Agency: Department of Revenue:
602-255-3381

STATUTE	43-101 et seq.; 43-1301 et seq.
SUBJECT	Taxation of all income for individuals and trusts. Taxation of all Arizona income of nonresidents.
MEASURE	Federal Adjusted Gross Income for individuals, plus certain additions and less subtractions. Internal Revenue Code taxable income for trusts with modifications.
RATE	Individual, Married filing separately, Trusts:

Tax Year 2022:

Taxable Income: The Tax Is:

\$0 - \$27,272--- 2.55% of taxable income
\$27,273 and over --- \$695 plus 2.98% of excess over \$27,273

Tax Year 2023: 2.5% of taxable income (Laws 2021, Chapter 412)

Head of Household and Joint returns use same rates with values doubled.

Income dollar amounts for each bracket are adjusted annually by the average annual change in the metropolitan Phoenix CPI, raised by the nearest whole dollar and cannot be revised below amounts prescribed in the prior taxable year.

DISPOSITION	Sufficient amount to Income Tax Fund for refunds; 15% of two years prior collections to Urban Revenue Fund, distributed to cities and towns based on population (Increases to 18% beginning FY 2024); balance to State General Fund.
PROCEDURE	Employee elects withholding as a percentage of gross taxable wages based on the following (tax year 2023): 0.5%; 1.0%; 1.5%; 2.0%; 2.5%; 3.0%; or 3.5%. An employee may annually elect a withholding of zero if no tax liability is expected in the current year. Employer remits tax to the Department of Revenue. The employer can voluntarily elect to not withhold tax each December if the employer notifies the Department on a prescribed form and the employer notifies its employees in writing in a manner prescribed by the Department.

INDIVIDUAL INCOME TAX

PROCEDURE

Estimated payments are required if Arizona gross income for the taxable year exceeds \$75,000 and was greater than \$75,000 in the preceding tax year (the threshold is \$150,000 for joint returns) in an amount which will represent unpaid tax liability at the end of the year. Estimated payments are made in four equal installments and, when combined with the taxpayer's withholding tax, must be at least 100% of the taxes paid in the preceding year or 90% of the taxes due for the current year.

Income tax returns due on or before April 15 for calendar year taxpayers. Extensions up to six months can be granted.

EXEMPTIONS

Other Exemptions: \$2,300 per nondependent age 65 or over, if taxpayer makes certain medical payments and each stillbirth. \$2,300 additional for 65 and over. \$1,500 additional for blind. State income tax deductible in arriving at taxable income.

Standard Deductions (tax year 2022): Single, \$12,950; Joint, \$25,900; Individuals filing head of household, \$19,400. (Adjusted annually for inflation and prorated for nonresidents.) Allow taxpayers that take the standard deduction a 25% tax credit for charitable contributions that would otherwise be deductible if itemized.

\$10,000 exemption for certain dependents over age 65.

Increased research activities; increased employment in military reuse zones; pollution control equipment; contributions to school tuition organizations and qualifying charitable organizations, and many others.

CREDITS

2017-18	4,545,242,379
2018-19	5,010,333,489
2019-20	4,531,545,529
2020-21	6,534,601,660
2021-22	7,531,598,000

YIELD

INSURANCE PREMIUM TAX

Enacted: 1939

Agency: Department of Insurance:
602-364-3100

STATUTE	20-201 et seq.
SUBJECT	Taxation of net insurance premiums from insurance companies doing business in Arizona.
MEASURE	<p>The total net premiums paid for insurance covering liabilities within the state, after deducting for premium cancellations, returned premiums, policy dividends, refunds, savings coupons, and other similar returns paid or credited to policyholders within this state and not reapplied as premiums for new, additional or extended insurance.</p> <p>No deduction allowed for the cash surrender values of policies or contracts. Considerations received on annuity contracts and the unabsorbed portion of any premium deposit are not included in the total direct premium income and therefore not subject to tax.</p>
RATE	<p>Based on the net premium income for most types of insurance:</p> <p>Tax year (TY) 2015, 2%; TY 2016, 1.95%; TY 2017, 1.90%; TY 2018, 1.85%; TY 2019, 1.80%; TY 2020, 1.75%; TY 2021 and thereafter, 1.70%.</p> <p>Each insurer pays an additional tax of 0.4312% on net premiums received from vehicle insurance.</p> <p>0.66% for fire insurance premiums on property located in an incorporated city or town which procures the services of a private fire company. 2.2% for all other fire insurance premiums.</p> <p>3% on surplus line and industrial insurance contracts.</p> <p>Rates are applied on net insurance premiums on life insurance, accident, health, fire, vehicle, prepaid dental, legal, and other property and casualty premiums.</p>
DISPOSITION	State General Fund except for fire insurance premiums and additional tax paid on vehicle insurance premiums. Eighty-five percent of the taxes paid on fire insurance premiums to cities and towns that have their own fire departments and to organized fire districts to fund pension plans for firefighting personnel, with the remaining 15% to the State General Fund. The 0.4312% additional tax paid on all vehicle premiums is deposited in the Public Safety Personnel Retirement System to fund the pension plan for highway patrol personnel.

INSURANCE PREMIUM TAX

<p>On or before March 1 of each year, authorized domestic, foreign, and alien insurers are required to file a form and remit the tax to the Department. Any insurer that paid or is required to pay a tax of at least \$2,000 on net premiums received during the preceding calendar year is required to file a report and pay 15% of the amount on or before the fifteenth day of each month from March through August.</p>	PROCEDURE															
<p>Certain hospital and medical service corporations, some fraternal benefit societies, and extended warranty insurers. Various insurers, employee benefit trusts, and voluntary employees' beneficiary associations. Accountable health plans for health benefits issued to small employers. Premiums paid by government.</p>	EXEMPTIONS															
<p>Increased employment in Military Reuse Zones. Increased employment and capital investments for expanding or locating qualified facilities under the Arizona Quality Jobs Program.</p> <p>Health care insurers that provide health insurance to qualified individuals and small businesses certified by the Arizona Department of Revenue.</p> <p>Contributions to school tuition organizations; qualified projects for affordable housing.</p> <p>Tax credit not allowed for portion of taxes payable to the fire fighters' relief and pension fund or to the amount payable to the Public Safety Personnel Retirement System.</p>	CREDITS															
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%; border-top: 1px solid black;">2017-18</td> <td style="width: 60%; border-top: 1px solid black;">549,764,242</td> <td style="width: 25%;"></td> </tr> <tr> <td>2018-19</td> <td>593,390,429</td> <td></td> </tr> <tr> <td>2019-20</td> <td>584,788,844</td> <td></td> </tr> <tr> <td>2020-21</td> <td>612,870,056</td> <td></td> </tr> <tr> <td style="border-bottom: 1px solid black;">2021-22</td> <td style="border-bottom: 1px solid black;">703,191,757</td> <td></td> </tr> </table>	2017-18	549,764,242		2018-19	593,390,429		2019-20	584,788,844		2020-21	612,870,056		2021-22	703,191,757		YIELD
2017-18	549,764,242															
2018-19	593,390,429															
2019-20	584,788,844															
2020-21	612,870,056															
2021-22	703,191,757															

INTRASTATE UTILITY CORPORATION ASSESSMENT

Enacted: 1947

Agency: Corporation Commission:
602-542-3076

STATUTE	40-401 through 40-409
SUBJECT	Public service corporations (electric, gas, sewer, telephone, and water companies).
MEASURE	<p>Utility regulation assessment: Gross operating revenue derived from intrastate operations during the preceding calendar year.</p> <p>Residential utility consumer assessment: Gross operating revenue derived from intrastate operations serving residential consumers during the preceding calendar year.</p>
RATE	<p>Applied to intrastate gross operating revenue of all public service corporations with \$500,000 or more in annual intrastate gross operating revenues.</p> <p>The rate is not to exceed 0.25% of annual intrastate gross operating revenue and is determined as follows:</p> <p>Utility regulation assessment: The rate is determined by computing the amount to be raised by the assessment. The assessment is based on the amount appropriated by the Legislature for operating the Arizona Corporation Commission’s Utilities Division for the following fiscal year, multiplied by 1.2, and then subtracting the estimated unexpended money in the Utility Regulation Revolving Fund at the end of the current fiscal year.</p> <p>Residential utility consumer assessment: The rate is determined by computing the amount to be raised by the assessment. The assessment is based on the amount appropriated by the Legislature for operating the Residential Utility Consumer Office (RUCO) for the following fiscal year less the estimated unexpended money in the RUCO Revolving Fund at the end of the current fiscal year.</p>
DISPOSITION	Utility regulation assessment to the Utility Regulation Revolving Fund and the residential utility assessment to the RUCO Revolving Fund.

INTRASTATE UTILITY CORPORATION ASSESSMENT

Statement to be filed with the Commission showing intrastate gross operating revenues during the preceding calendar year on or before May 1. Corporations with gross operating revenues in excess of \$500,000 must file an estimate with the Commission on or before January 10.

PROCEDURE

Assessment levied by Commission no later than June 15 each year; notice sent to corporation by registered mail. Assessment due 15 days after mailing.

Corporations not required to hold certificate of convenience and necessity. Regulated utilities with annual intrastate gross operating revenues of less than \$500,000. Member-owned nonprofit cooperative corporations do not pay the residential utility consumer assessment.

EXEMPTIONS

		YIELD
2017-18	12,178,280 (utility assessment) 1,331,440 (residential utility)	
2018-19	12,164,121 (utility assessment) 1,351,662 (residential utility)	
2019-20	14,817,406 (utility assessment) 1,342,913 (residential utility)	
2020-21	14,010,534 (utility assessment) 1,348,600 (residential utility)	
2021-22	15,569,360 (utility assessment) 1,388,900 (residential utility)	

LUXURY TAX – CIGARETTE & TOBACCO

Enacted: 1935

Agency: Department of Revenue:
602-255-2060

STATUTE	42-3001 through 42-3307, 42-3371, 42-3372
SUBJECT	Distributors of tobacco products through the purchase of tax stamps or meter indicia from the Department of Revenue for cigarettes and monthly report on other products.
MEASURE	Each cigarette; each ounce of smoking, chewing, plug or twist tobacco. 20 small cigars (weight not more than 3 lbs. per thousand). Selling for 5¢ or less, each three cigars; selling more than 5¢, each cigar.
RATE	10¢ on each cigarette (\$2.00 per pack of 20) 22.25¢ on each ounce of smoking or chewing tobacco. 5.45¢ on each ounce of cavendish plug or twist tobacco. 44.05¢ on each 20 small cigars (weight not greater than 3 lbs. per thousand). 21.8¢ on every three cigars, retail 5¢ or less each. 21.8¢ on cigars retailing at more than 5¢ each.
DISPOSITION	The \$2.00 tax on a pack of cigarettes distributed as follows: <u>18¢: 2¢ to the Corrections Fund; 16¢ to the State General Fund for state school aid.</u> <u>40¢ to the Tobacco Tax and Health Care Fund: Medically Needy Account, 70%; Health Education Account, 23%; Health Research Account, 5%; Corrections Fund Adjustment (hold harmless), 2%.</u> <u>60¢ to the Tobacco Product Tax Fund: Prop 204 Protection Act, 42%; Medically Needy Account, 27%; Emergency Health Services Account, 20%; Health Education, 2%; Health Research Fund, 5%; Health Care Adjustment (hold harmless), 4%.</u> <u>80¢ to the Early Childhood Development and Health Fund.</u> <u>2¢ to the Smoke-Free Arizona Fund.</u>

LUXURY TAX – CIGARETTE & TOBACCO

Distributors of cigarettes are required to purchase and affix stamps. Distributors may post bond equal to two times monthly purchase and make payment for stamps or meter indicia by electronic funds transfer on 20th day of the month following purchase. Distributors of other tobacco products file a monthly report electronically on or before the 20th day of the next month after the month in which the tax accrues. Tax is delinquent if not paid within 10 days of the due date.

PROCEDURE

Tobacco powder or tobacco products used exclusively for agricultural or horticultural purposes and unfit for human consumption. Sales by Indian tribes to tribal members. Sales by Indian tribes to non-tribal members are taxed at reduced rates of 2¢ per cigarette, 4.5¢ per ounce chewing tobacco or snuff, 1.1¢ per ounce of plug or twist tobacco, 8.9¢ on 20 small cigars, and 4.4¢ on other cigars, less certain offsets for any tribal taxes.

EXEMPTIONS

2017-18	297,669,320
2018-19	289,412,378
2019-20	300,917,800
2020-21	294,167,781
2021-22	287,442,610

YIELD

LUXURY TAX – LIQUOR

Enacted: 1935

Agency: Department of Revenue:
602-255-2060

STATUTE	42-3001 through 42-3154; 42-3351 through 42-3356	
SUBJECT	Liquor wholesalers.	
MEASURE	Spirituous liquors, vinous liquors, malt liquor.	
RATE	<p>Spirituous liquor: \$3.00 per gallon; proportionate rate, greater or lesser quantities. Vinous liquor (more than 24% alcohol): \$4.00 per gallon. Vinous liquor (less than 24% alcohol): 84¢ per gallon; proportionate rate, greater or lesser quantities. Malt liquor (beer): 16¢ per gallon.</p>	
DISPOSITION	<p>1.17% of the spirituous taxes and 14% of the high-alcohol content vinous taxes is devoted to public school aid. The Corrections Fund receives 20% of the revenue generated by the spirituous liquor tax and 50% of the other liquor taxes. The Drug Treatment and Education Fund receives 7% of the spirituous and 18% of the other liquor taxes. A Special Corrections Fund receives 3% of the spirituous liquor tax and 7% of the vinous and malt liquor taxes. The balance of the taxes goes to the State General Fund.</p>	
PROCEDURE	<p>Every wholesaler, distiller or manufacturer of spirituous, vinous or malt liquor, and every domestic farm winery or microbrewery must obtain a license and may be required to post a bond of no more than twice the monthly tax liability or \$2,000, whichever is greater. Domestic farm wineries and wholesalers of liquor must pay luxury taxes on or before the 20th day of the month following the month in which the tax accrues. Payments and tax filings must be made electronically beginning January 1, 2020 or when the Department has established an electronic filing program, whichever is later. The tax accrues on the wholesaler on the purchase of the vinous or malt liquors for resale within the state. The tax on the wholesaler of spirituous liquors accrues on the wholesaler's sale within the state. The tax on the domestic farm winery or microbrewery accrues on the sale at retail or to a retail licensee within the state. Allows all wineries to obtain a direct shipment license to sell and ship wine directly to consumers.</p>	
EXEMPTIONS	Spirituous liquor, vinous liquor, and malt liquor not suitable for beverage purposes (used for medical purposes).	
YIELD	2017-18	76,377,895
	2018-19	78,122,023
	2019-20	80,586,869
	2020-21	89,137,949
	2021-22	88,925,043

MOTOR CARRIER FEE

Enacted: 1981

Agency: Department of Transportation
602-712-7441

28-5851 through 28-5867				STATUTE
Commercial motor carriers of property and passengers.				SUBJECT
Based on weight.				MEASURE
12,001-14,000	\$64	32,001-36,000	\$155	RATE
14,001-16,000	\$73	36,001-40,000	\$173	
16,001-18,000	\$82	40,001-45,000	\$336	
18,001-20,000	\$91	45,001-50,000	\$374	
20,001-22,000	\$101	50,001-55,000	\$412	
22,001-24,000	\$110	55,001-60,000	\$450	
24,001-26,000	\$119	60,001-65,000	\$627	
26,001-28,000	\$128	65,001-70,000	\$693	
28,001-30,000	\$137	70,001-75,000	\$750	
30,001-32,000	\$146	75,001-80,000	\$800	
Single trip permit:		\$12 for 50 or less miles traveled		
		\$48 for more than 50 miles		
		\$96 for 30-day permit		
Arizona Highway User Revenue Fund except revenues collected from single trip permits at southern ports of entry. Single permit fees are deposited into the Safety Enforcement and Transportation Infrastructure Fund.				DISPOSITION
Added to the gross weight fee under A.R.S. § 28-5433 and payable at the time the motor vehicle is registered.				PROCEDURE
Reduced rate available for vehicles whose mileage is 45% or more when empty or carrying (a) equipment that makes a motor vehicle ready for the road; (b) restraining equipment that makes the load safe; (c) equipment used for loading and unloading; (d) returning empty containers or boxes to point of shipment; and (e) goods being returned due to spoilage, damage, misfills, consignee rejection or return. Reduced rate also applies for some vehicles that weigh more than 26,000 pounds, vehicles qualified for one-way hauls, and vehicles used only for transporting agricultural products. The tax does not apply to school buses or motor vehicles used in the production of motion pictures, films to be shown in theaters and on television, industrial, training and educational films, television commercials, videodiscs, and videotapes.				EXEMPTIONS
2017-18	42,822,555			YIELD
2018-19	45,812,078			
2019-20	45,472,271			
2020-21	52,128,892			
2021-22	56,698,432			

MOTOR VEHICLE & AVIATION FUEL TAX (GAS TAX)

Enacted: 1921

Agency: Department of Transportation
602-712-7441

STATUTE	28-5601 through 28-5644; 28-6531 through 28-6547; 28-8344
SUBJECT	Distributors of motor vehicle fuel and aviation fuel.
MEASURE	Each gallon of motor vehicle fuel possessed, used, consumed, manufactured, produced, blended or compounded in this state or imported by the distributor.
RATE	<p>5¢ per gallon for aviation fuel.</p> <p>18¢ per gallon for motor vehicle fuel plus 1¢ per gallon underground storage tank tax (A.R.S. §§ 28-6001 & 49-1031).</p>
DISPOSITION	<p>Motor vehicle fuel tax: Taxes collected on <i>watercraft fuel</i>: 1% to administration, remainder to State Lake Improvement Fund.</p> <p>Taxes collected on <i>aircraft fuel</i> to the State Aviation Fund.</p> <p>All other taxes collected on motor vehicle fuel: 0.55% to the Off-Highway Vehicle Recreation Fund and 99.45% to the Arizona Highway User Revenue Fund to be distributed as follows: \$1 million to the Economic Strength Project Fund and \$10 million to DPS for Highway Patrol. The remainder – 50.5% to the State Highway Fund, 19% to counties (72% based on point of sale and 28% based on population in unincorporated areas), 27.5% to cities and towns (50% based on population and 50% based on county of origin of gasoline sales and city or town population within each county), and 3% to cities with a population of 300,000 or more.</p>
PROCEDURE	Reports and taxes due on or before the 27 th of the next succeeding calendar month after the month the tax accrued. Distributor's records and purchase-for-resale records kept three years.

**MOTOR VEHICLE & AVIATION FUEL TAX
(GAS TAX)**

(a) Motor vehicle or aviation fuel for which proof of export is available; (b) motor vehicle or aviation fuel for which tax has been paid or accrued and that was subsequently exported; (c) motor vehicle or aviation fuel sold within an Indian reservation to an enrolled member; (d) motor vehicle or aviation fuel used solely and exclusively to operate a vehicle leased, owned or being operated solely for the benefit of an Indian tribe; (e) motor vehicle or aviation fuel moving in interstate or foreign commerce and not destined or diverted to a point in this state; and (f) motor vehicle or aviation fuel sold to the U.S. government or an instrumentality or agency of the U.S. government.		EXEMPTIONS
2017-18	528,037,892	YIELD
2018-19	531,701,606	
2019-20	516,169,807	
2020-21	505,880,198	
2021-22	538,525,932	

PERSONAL PROPERTY TAX

Enacted: 1913

Agency: Counties/ADOR:
Telephone numbers vary

STATUTE	42-11001 through 42-19160
SUBJECT	All personal property except constitutionally exempt property such as household goods and business inventory.
MEASURE	See Real Property Tax.
RATE	Set annually by county supervisors. State sets rates for school equalization purposes. County supervisors set rates for required revenue for local governments. Primary and secondary tax rates are levied against the Full Cash Value net assessed value. Personal property is not subject to flood control district taxes.
DISPOSITION	County treasurers disperse receipts to respective taxing entities.
PROCEDURE	<p>Locally Assessed Property (LAP): Taxpayers file personal property statement by April 1. Property valued by county assessors. Notice of valuation mailed by June 30. Taxpayer has 20 days after the notice is mailed to file a petition with the assessor's office.</p> <p>Centrally Valued Property (CVP): Taxpayers file report with the Arizona Department of Revenue (ADOR) by April 1. ADOR determines full cash value of the property by August 31. ADOR transmits valuations to the assessors by Nov. 30.</p> <p>New LAP and electric generation personal property is not taxable until placed in service. All electric generation personal property (A.R.S. § 42-14156), telecommunications personal property (A.R.S. § 42-14403), and locally assessed business personal property acquired or initially classified prior to tax year 2022 receives accelerated depreciation (A.R.S. § 42-13054).</p> <p>LAP business personal property acquired during or after tax year 2022 is taxed at 2.5% of the acquisition price.</p> <p>Personal property tax rates are set in August, and with the exception of flood control district rates, are the same as real property rates. Taxes are paid in two installments due October 1 (delinquent November 1) and March 1 (delinquent May 1) unless the tax is under \$100, then the entire amount is due October 1 (delinquent November 1).</p>

PERSONAL PROPERTY TAX

EXEMPTIONS

Business inventories, household goods, widows, widowers, disabled, and certain veterans receive personal exemptions depending on income and total valuation. Construction work in progress (CWIP) is not assessed until it has progressed to a sufficient degree for the property to be useful. Government property, hospitals, and other charitable institutions for relief or indigent and afflicted not used for profit. Cemeteries, agricultural societies, and most nonprofit property used for religious, educational, or relief purposes. Exemptions are specifically identified in the Arizona Constitution, Article 9, Sections 2-2.2 and A.R.S. §§ 42-11102 – 42-11133. Classes 1 & 2: first \$207,366 of locally assessed personal property is exempt in tax year 2022.

Included in real property yield.

YIELD

PRIVATE RAIL CAR PROPERTY TAX

Enacted: 1913

Agency: Department of Revenue:
602-716-6843

STATUTE	42-14301 through 42-14309	
SUBJECT	Private rail car companies operating, furnishing or leasing cars used for transporting, accommodating persons or freight over railroad lines located wholly or partially within the state.	
MEASURE	Property Class 5 is assessed annually based on the weighted average of all other classes of income-producing property. For tax year 2022, the assessment ratio is 15%.	
RATE	Annual rate levied on private car companies is equal to the sum of the statewide average rates for primary and secondary property taxes. For tax year 2022, the rate per \$100 of assessed value was \$11.14.	
DISPOSITION	State General Fund.	
PROCEDURE	Each company shall annually file with the Department, on or before April 1, a statement in such form as prescribed by the Department. Penalties apply for failure to file. The Department determines the full cash value of the property within the state (as of Jan. 1) on or before June 15 and immediately transmits the value to the private car company by first class mail or by e-mail. The company may request an administrative review of the valuation on or before July 15 and the Department has until August 31 to rule on all reviews. The company may appeal the Department's review with the State Board of Equalization on or before October 1. The State Board of Equalization has until October 31 to decide on all appeals. Taxes are due and payable on October 1 and delinquent after November 1.	
EXEMPTIONS	None.	
YIELD	2017-18	2,038,908
	2018-19	2,027,884
	2019-20	2,220,383
	2020-21	2,380,655
	2021-22	2,426,134

REAL PROPERTY TAX

Enacted: 1913

Agency: Counties/ADOR:
Telephone numbers vary

42-11001 through 42-18403	STATUTE
All land and improvements.	SUBJECT
<i>Classifications apply to real and personal property:</i>	MEASURE

Class 1: (17.5%) Mines, mining claim property and standing timber. Local telecommunications service, gas, water, sewer, wastewater, electric generation, transmission, and distribution, electric cooperative property, pipelines, producing oil, and gas. Commercial and industrial property.

Class 2: (15%) Agricultural, vacant land, golf courses, and non-profits.

Class 3: (10%) Primary residence of owner or owner’s relative, and residential property owned in foreclosure by a financial institution.

Class 4: (10%) Leased or rented residential, childcare facilities, nonprofit residential housing facilities, licensed residential/nursing care institutions, certain bed & breakfast facilities, agricultural employee’s living quarters, timeshares, and residential common areas.

Class 5: *(15%) Railroads, private rail car companies, and flight property.

Class 6: (5%) Noncommercial historic, property in foreign trade zones, military reuse zones (5 years), environmental technology (20 years), remediation property, qualifying forest products (5 years through 2024), biodiesel fuel manufacturers (tax year 2007 through 2023), and renewable energy manufacturers or headquarters operations (15 years through 2014).

Class 7: (1% up to ten years) Applied to portion of property with modifications made to restore and rehabilitate commercial historic property. Remainder assessed as class 1.

Class 8: (1% up to ten years) Applied to portion of property with modifications made to restore and rehabilitate residential historic property. Remainder assessed as class 4.

Class 9: (1%) Possessory interests (Improvements located on federal, state, county or municipal property and owned by the lessee).

*Class 5 set each year (weighted average of income-producing property).
Tax year 2022 shown.

REAL PROPERTY TAX

RATE	State sets rates for school equalization purposes and county supervisors set rates for local governments that tax property. Primary and secondary tax rates are levied against the Limited Property Value (LPV) of locally assessed property and against the Full Cash Value (FCV) of all centrally assessed property. The LPV on locally assessed property is limited to 5% growth each year and cannot exceed FCV. Residential (owner-occupied) property receives a rebate on school primary property taxes and the total primary property tax cannot exceed 1% of the LPV.		
DISPOSITION	County treasurers disburse receipts to respective taxing entities.		
PROCEDURE	All property is valued at full cash (market) value by state licensed county assessors, except mine, utility, railroad, pipeline, and flight properties, which are centrally assessed by the Arizona Department of Revenue. Assessor mails property valuation notices on or before March 1 and the taxpayer may appeal the value to the Assessor within 60 days. The Assessor has until August 15 to respond to all appeals (A.R.S. § 42-16051). Tax rates are set the third Monday in August the following year. First half of taxes due on Oct. 1, delinquent after Nov. 1. Second half of taxes due March 1, delinquent after May 1. Taxes are not delinquent if paid in full on or before December 31.		
EXEMPTIONS	Widows, widowers, veterans, and disabled persons receive personal exemptions depending on income and total valuation. All public land and improvements. Hospitals and other charitable institutions for relief of indigent and afflicted not used or held for profit. Cemeteries and agricultural societies. Most nonprofit property used for religious, educational or relief purposes. Exemptions are specifically identified in the Arizona Constitution, Article 9, Sections 2 and A.R.S. §§ 42-11102 – 42-11133. Residents 65 years or older, with annual income below established thresholds, can apply to the county assessor to freeze the full cash value of their primary residence for up to three years.		
YIELD	Tax Year	Primary	Secondary
	2018	4,993,083,403	2,870,726,238
	2019	5,323,167,423	2,887,909,889
	2020	5,504,573,640	3,004,729,390
	2021	5,760,593,434	3,058,720,384
	2022	5,542,154,468	3,193,309,078

SEVERANCE TAX

Enacted: 1983

Agency: Department of Revenue:
602-255-2060

<u>42-5201 through 42-5206</u>	STATUTE
<u>Persons engaging in the business of metalliferous mining.</u>	SUBJECT
<u>The Net Severance Base, which is 50% of the difference between the gross value of production and the production cost.</u>	MEASURE
<u>2.5% multiplied by Net Severance Base.</u>	RATE
<u>City rates vary by location.</u>	
<u>80% of collections are distributed as follows: 40.51% to counties; 34.49% to the State General Fund; and 25% to cities and towns. The remaining 20% is deposited in the State General Fund.</u>	DISPOSITION
<u>Report (Form TPT-1) and tax due on or before 20th day of the month following the month in which tax is accrued. The Department will consider a return timely if postmarked by the 25th day of the month. The return may also be delivered personally on the last working day of the month.</u>	PROCEDURE
<u>Gross proceeds or gross income from sales at retail that are taxable under the transaction privilege tax.</u>	EXEMPTIONS
<u>2017-18 24,561,867</u>	YIELD
<u>2018-19 17,251,505</u>	
<u>2019-20 12,704,428</u>	
<u>2020-21 35,610,123</u>	
<u>2021-22 49,708,880</u>	

TELECOMMUNICATION SERVICE EXCISE TAX

Enacted: 1983

Agency: Department of Revenue:
602-255-2060

STATUTE	42-5251 through 42-5253	
SUBJECT	Public service corporations offering telephone or telecommunication services.	
MEASURE	Gross proceeds of sales or gross income derived from the business of providing exchange access services and on each activated wire & wireless service account.	
RATE	20¢ per month on every provider for each activated wire and wireless service account. An additional 1.1% is levied on the providers' gross proceeds of sales or gross income derived from the business of providing exchange access services.	
DISPOSITION	The Department of Revenue is required to remit all tax revenues generated from the 20¢-rate to the Emergency Telecommunication Services Revolving Fund. Revenues generated from the 1.1% levy are remitted to the Telecommunications Fund for the Deaf.	
PROCEDURE	Providers remit tax monthly, in the same manner and time as the transaction privilege tax, to the Department of Revenue. Each provider must state the amount of the tax on a separate line item on all customer invoices.	
EXEMPTIONS	None.	
YIELD	2017-18	21,755,498
	2018-19	21,657,029
	2019-20	22,058,660
	2020-21	22,226,149
	2021-22	22,149,404

TRANSACTION PRIVILEGE (SALES) TAX

Enacted: 1935

Agency: Department of Revenue:
602-255-2060

42-5001 through 42-5354; 42-6001 through 42-6112	STATUTE
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Transaction privilege tax, use tax, county excise taxes, and other excise taxes.	SUBJECT
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Gross receipts, gross income, or gross proceeds of sales of: retailers, contractors, utilities, lessors of real property, lessors of tangible personal property, printers, publishers, restaurants and bars, transportation providers, telecommunications companies, nonmetalliferous mines, and other businesses.	MEASURE
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WARNING: Measure at the city level may differ from the state. For more information, refer to a copy of the **Model City Tax Code on the Department of Revenue’s (DOR) website at www.azdor.gov**.

State Rates:	RATE
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5.6% Retail, transporting, utilities, telecommunications, pipelines, private car lines, printing, publishing, prime contracting, owner builder, amusements, restaurant and bar, and personal property rental	
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5.5% Transient lodging	
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3.125% Nonmetalliferous mining	
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0% Commercial leasing	
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County and city rates vary by locality. See DOR and/or ATRA website at www.arizonatax.org for current local rates.

The state’s 5.6% rate is distributed as follows:	DISPOSITION
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The 5% Rate:

- 60% to the State General Fund
- Remaining 40% distributed accordingly:
 - 34.49% to the State General Fund
 - 38.08% to counties (based on population and point of sale)
 - An additional 2.43% to counties (Based on net assessed value and point of sale)
 - 25% to municipalities (based on population)

The 0.6% rate:

Earmarked to K-12 schools, community colleges, and universities.

TRANSACTION PRIVILEGE (SALES) TAX

PROCEDURE Tax imposed on business but may be passed on to customer. Return and payment due by 20th of the month following month in which transactions occurred. DOR may authorize taxpayers to pay either on a quarterly or annual basis, depending on estimated annual liability (A.R.S. § 42-5014).

Taxpayers that had in the preceding calendar year or that can reasonably anticipate to have an annual total tax liability that exceeds the following amounts must make an estimated tax payment each June: \$1 million through tax year 2019; \$1.6 million in tax year 2020; \$2.3 million in tax year 2021; \$3.1 million in tax year 2022; and \$4.1 million in tax year 2023 and thereafter (A.R.S. § 42-5014).

Several cities require separate licensing. The city tax base and interpretations can vary from the state and between cities. License fees, duration, and tax rates vary among cities.

TPT license issued by state is \$12 with no annual renewal fee. License covers sales, use, and related taxes for state and counties. Taxpayers apply to State for all city TPT licenses. Initial fee of \$50 for each location and \$50 renewal fee for each jurisdiction unless taxpayer files consolidated returns under a single TPT license for two or more locations.

EXEMPTIONS Sales/leases for resale or subsequent rent/lease; labor associated with retail sale; machinery and equipment used directly in manufacturing, processing, mining, fabricating, job printing, telecommunications, and production of electrical power; certain pipes and valves; certain aircraft and related property; securities; prescriptions and prosthetics; warranty and service contracts; freight in connection with retail sale; specific fuel; sales by certain nonprofit organizations; sales of commodities consigned for resale; certain sales to U.S. Government; tax collected or factored.

YIELD	State	Local	Total
2017-18	6,904,474,633	3,960,062,470	10,864,537,103
2018-19	7,356,667,882	4,289,113,182	11,645,781,064
2019-20	7,785,448,562	4,519,198,356	12,304,646,918
2020-21	9,022,368,618	5,111,352,622	14,133,721,240
2021-22	10,547,608,915	6,023,386,147	16,570,995,062

UNEMPLOYMENT INSURANCE TAX

Enacted: 1936

Agency: Department of
Economic Security:
602-417-3800

23-601 through 23-799	STATUTE
Employers or an employing unit of one or more persons for one day or a portion of a day in each of 20 different calendar weeks of a year or \$1,500 wages in a calendar quarter (A.R.S. § 23-612 and 23-613).	SUBJECT
First \$7,000 of wages for rated employers. Wages include payments for services from whatever source including commissions, bonuses, fringe benefits, and the cash value of payment in any medium other than cash.	MEASURE
5.4% standard rate which varies under A.R.S. § 23-730; from 2.6% down to 0.02% for a positive reserve ratio and from 2.85% up to 5.4% for a negative reserve ratio. Rate shall not be less than 0.02%. Rates may be further adjusted depending on the level of assets in the Unemployment Compensation Fund; the Fund Ratio (total assets of such fund on July 31 to the total taxable payrolls for the preceding year) is used to determine the Required Income Rate from 0.4% to 2.4%. Employers with negative reserve ratios paying shared work benefits are subject to a surtax added to the computed rate. The rate will be increased 1% for a negative ratio of 5% up to 15% and 2% for a negative ratio over 15%.	RATE
Unemployment Compensation Fund.	DISPOSITION
Employers file quarterly reports due by the last day of the month following close of the calendar quarter. Payment in full due with return. Department notifies employers in January of their contribution rate for ensuing year. Employers must register upon or before employing personnel.	PROCEDURE
A.R.S. § 23-613.01 refers to exempt services. A.R.S. § 23-615 and 23-617 refer to categories of exempt employment. A.R.S. § 23-622(B) identical to exempt wages for Federal Unemployment Tax. A.R.S. § 23-793 and 23-794 refer to certain periods for transient lodging seasonal workers and school bus contractors.	EXEMPTIONS
2017-18 514,067,411	YIELD
2018-19 450,218,852	
2019-20 392,649,833	
2020-21 551,835,235	
2021-22 466,730,837	

USE FUEL TAX

Enacted: 1941

Agency: Department of Transportation
602-712-7441

STATUTE	28-5601 through 28-5745	
SUBJECT	Suppliers, vendors, and users of special use fuel (other than gasoline).	
MEASURE	Gallons of diesel fuel, LPG, propane, and butane used to fuel motor vehicles on Arizona highways.	
RATE	<p>Light class motor vehicles weighing 26,000 pounds or less; use class motor vehicles with a model year more than 25 years old that has been issued an Arizona historic vehicle license plate and is not used as a commercial vehicle; and vehicles exempt pursuant to A.R.S. § 28-5432 from the weight fee under A.R.S. § 28-5433 pay the same rate of 18¢ per gallon as the motor vehicle fuel tax.</p> <p>Rate is 26¢ per gallon on use fuel consumed by a use class motor vehicle weighing more than 26,000 pounds.</p> <p>Effective August 31, 2012 through December 31, 2024, the rate is 9¢ per gallon for use fuel used for the propulsion of motor vehicle transporting forest products in compliance with the Healthy Forest Enterprise Program (A.R.S. § 41-1516).</p>	
DISPOSITION	Arizona Highway User Revenue Fund.	
PROCEDURE	Reports and tax due on or before 27 th of the month following the month when tax accrued. Vendor who sells and delivers fuel must give the user a receipt in the form prescribed in A.R.S. § 28-5731. Records kept three years minimum.	
EXEMPTIONS	Alternative fuels; fuel in which proof of export is available; fuel acquired by a distributor for which tax has previously been paid and subsequently exported; fuel used solely for the benefit of an Indian tribe; fuel moving in interstate or foreign commerce not destined to a point in this state; use fuel accidentally contaminated and rendered unsalable; dyed fuel used in farm tractors or implements designed for agricultural use; road rollers, such as earth-moving equipment for grading and paving, and other such road construction vehicles.	
YIELD	2017-18	202,113,866
	2018-19	218,817,526
	2019-20	217,957,656
	2020-21	249,838,316
	2021-22	256,878,389

VEHICLE LICENSE TAX

Enacted: 1940

Agency: Department of Transportation
602-712-7441

28-5801 through 28-5812	STATUTE
Motor vehicle owners.	SUBJECT
<p>Vehicle value. During the first 12 months of the life based on the vehicle's initial registration, the value is 60% of manufacturer's base retail price. The vehicle's value drops 16.25% during each succeeding 12-month period.</p> <p>For privately owned motor vehicles operated exclusively as a school bus, ambulance or fire-fighting vehicle, and motor vehicles powered by alternative fuels, the initial registration is based on value equal to 1% of the manufacturer's base retail price, dropping 15% during each succeeding 12-month period.</p>	MEASURE
<p>Rate equals \$2.80 per \$100 of value for first 12 months of the vehicle's life and \$2.89 for each succeeding 12-month period, minimum of \$10.</p> <p>For privately owned motor vehicles operated exclusively as a school bus, ambulance or fire-fighting vehicle, and for motor vehicles powered by alternative fuels, \$4 per \$100 of value, minimum of \$5.</p>	RATE
<p>For school buses, ambulance and fire-fighting vehicles, alternative fuel vehicles, and car rental surcharges: 37.61% to the Highway User Revenue Fund (HURF); 20.45% to county general funds; 4.91% to counties for transportation purposes; 20.45% to cities and towns; 1.64% (with exception-a portion may go to the Local Transportation Assistance Fund for cities and towns) and 4.09% to the state highway fund; and 10.85% to state general fund for school financial assistance.</p> <p>For all other vehicles: 45% to HURF (1.51% of which goes to the DPS Parity Compensation Fund); 24.6% to county general funds; 5.7% to counties for transportation purposes; and 24.6% to cities and towns.</p>	DISPOSITION
<p>Year round staggered registration. Tax due annually when motor vehicle registration is renewed, except vehicles not subject to annual emission may renew and prepay registration every two or five years.</p>	PROCEDURE

VEHICLE LICENSE TAX

EXEMPTIONS	Affixed mobile homes; motor vehicles owned by government agencies; certain qualifying veterans; disabled individuals; widows and widowers; resident military personnel; Native Americans, where vehicle is operated within reservation boundaries; and nonprofit organizations.	
YIELD	2017-18	990,139,421
	2018-19	1,045,019,207
	2019-20	1,053,745,450
	2020-21	1,226,267,691
	2021-22	1,209,493,565

WATERCRAFT REGISTRATION FEES

Enacted: 1940

Agency: Arizona Game and
Fish Department: 602-942-3000

5-321 through 5-325	STATUTE
Persons owning or using watercraft within the State of Arizona.	SUBJECT
Each foot of length or fraction thereof, each certificate of number-demonstration watercraft.	MEASURE
Flat registration fee for each of the following seven watercraft length ranges:	RATE
<p>Resident: \$20 (12' and less); \$22 (12'1" to 16'); \$30 (16'1" to 20'); \$35 (20'1" to 26'); \$39 (26'1" to 39'); \$44 (39'1" to 64'); \$66 (64'1" and over).</p> <p>Nonresident: \$100 (12' and less); \$110 (12'1" to 16'); \$222 (16'1" to 20'); \$259 (20'1" to 26'); \$292 (26'1" to 39'); \$330 (39'1" to 64'); \$495 (64'1" and over).</p> <p>Additional fee: Determined by the Commission and may be imposed in different amounts for residents and nonresidents. Used solely for the lower Colorado river multispecies conservation program.</p>	<p style="border-top: 1px solid black; border-bottom: 1px solid black;">DISPOSITION</p> <p>All registration fees to the Watercraft Registration Fee Clearing Account: 65% to Watercraft Licensing Fund, used by the Department for administration and enforcement of watercraft laws and to provide an information and education program relating to boating and boating safety and administering any aquatic invasive species program; and 35% distributed as follows: 15% to the State Lake Improvement Fund; 85% to Law Enforcement and Boating Safety Fund.</p> <p style="border-bottom: 1px solid black;">PROCEDURE</p> <p>Registration is done on a staggered system for a period of greater or less than 12 months, up to a period of 36 months. Late penalty not to exceed \$15. The owner is required to provide notice of transfer of interest (transfer fee of \$4), destruction or abandonment of watercraft to the department within 15 days. Penalties and back fees waived if more than 12 months have lapsed since expiration date of the last registration or renewal.</p>

WATERCRAFT REGISTRATION FEES

EXEMPTIONS Non-motorized watercraft; temporary foreign watercraft; military or non-recreational public vessels of the U.S.; watercraft used solely as lifeboats; undocumented watercraft with valid temporary certificate; watercraft owned and operated by the state or any political subdivision thereof (must be numbered but no fee); certain watercraft owned by nonresidents if registered elsewhere; watercraft possessed by licensed marine dealers that will be offered for resale.

YIELD	2017-18	6,512,373
	2018-19	6,605,049
	2019-20	6,765,845
	2020-21	6,986,618
	2021-22	7,030,317

The **Arizona Tax Research Association (ATRA)** is the **ONLY** statewide taxpayer organization representing a cross section of Arizona individuals and businesses. Organized in 1940, ATRA is the largest and most respected independent and accurate source of public finance and tax policy information. ATRA represents taxpayers before policy makers at the state and local level. ATRA's fundamental belief is that every governmental expenditure is directly related to a tax. ATRA's goal is efficient statewide government and the effective use of tax dollars through sound fiscal policies.

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