
ARIZONA DEPARTMENT OF REVENUE

2009 ANNUAL REPORT

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STATE OF ARIZONA

Department of Revenue



Janice K. Brewer
Governor

Gale Garriott
Director

November 15, 2009

The Honorable Janice K. Brewer, Governor
State of Arizona
1700 West Washington Street
Phoenix, Arizona 85007

Dear Governor Brewer and the Taxpayers of Arizona:

The onset of the fiscal crisis at both the local and national levels impacted operations at the Department of Revenue in fiscal year 2009. Budget cuts executed in the second half of the fiscal year resulted in almost one third of our employees being removed from State service by layoffs or reduction in force. The remaining staff was faced with the challenges of delivering our core business processes in a timely manner and maintaining adequate service levels.

By redeploying remaining employees to assist with processing documents during tax season, we were barely able to keep ahead of huge backlogs in opening and sorting mail, depositing money, keying income returns and processing tax refunds in a timely manner. Work was prioritized to collectively focus on processing duties during tax season while other tasks were worked on as time allowed.

Despite the reduction in overall workforce, employees achieved several noteworthy accomplishments including: processing approximately 3.4 million paper and 1.8 million electronic tax returns; conducting a little more than 36,500 audits with an 8% protest rate; and achieving an overall customer service survey rating of 3.37 (out of 5.00) from the 2,300 taxpayers who completed satisfaction surveys.

Additionally, we, as a Department, continue to focus on our three core goals:

- To increase our return on investment.
- To increase customer and stakeholder satisfaction.
- To increase employee satisfaction.

We are continuing our commitment to excellence and quality. I wish to thank our hard working employees for making this possible. Please contact me if I can provide you with any additional information.

Sincerely,

Handwritten signature of Gale Garriott in black ink.

Gale Garriott
Director

DEPARTMENT ORGANIZATION

Organization & Organization Chart

Strategic Plan Highlights

Administrative Services

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Collections

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Organization

The mission of the Arizona Department of Revenue is to administer tax laws fairly and efficiently for the people of Arizona. It is our vision that we set the standard for tax services.

Tax laws that fall under the department's purview are primarily in the areas of income, transaction privilege (sales), use, luxury, withholding, property, estate, fiduciary, bingo, and severance.

The director is responsible for the direction, operation, and control of the department to ensure that the administration and collection of taxes are cost effective and performed with high quality to meet taxpayers' needs.

Reporting to the director is the deputy director, who assists the director in the day-to-day operations of the department and who serves as acting director when the director is absent. Also reporting to the director is the problem resolution officer, who acts as the taxpayer advocate within the department. Reporting to both the director and deputy director is the chief internal auditor, who oversees the internal audit team and acts as liaison with external auditors.

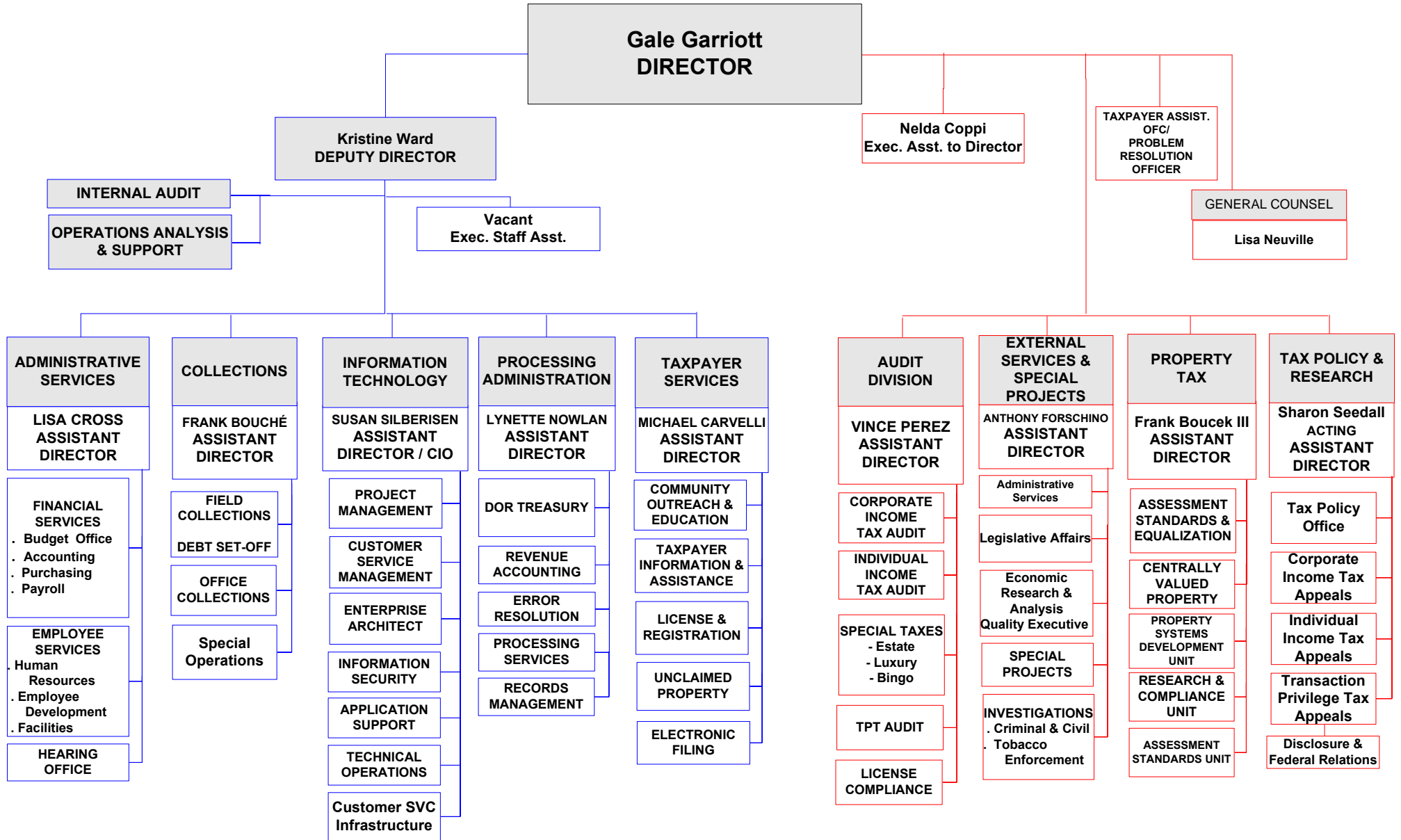
The department is organized into nine divisions, each managed by an assistant director. Divisions include: Administrative Services, Audit, Collections, External Services and Special Projects, Information Technology, Process Administration, Property Tax, Taxpayer Services, and Tax Policy and Research. Each division performs specific functions which are

integrated to achieve the department's major external objectives of efficient tax collection and processing, timely enforcement of tax laws, and accurate valuation of property.

HIGHLIGHTS IN FISCAL YEAR 2009

- Faced with a budget shortfall, the Arizona Legislature passed and the Governor signed legislation enabling the department to implement a tax amnesty program during the spring of 2009. At the time of its passage, it was anticipated by the Legislature that the amnesty program would generate \$5 million.
The program was quite successful. Nearly \$32 million was received from the 648 taxpayers that were granted amnesty status. Of that amount, more than \$27 million was deposited to the general fund.
- In August 2008, the department began accepting credit cards for tax payments. As of June 30, 2009, the department has processed 18,371 credit card transactions for a total of \$8.3 million in tax revenue.
- The Audit Division's gross enforcement collections for fiscal year 2009 exceeded \$177 million, a 3.8% decrease over fiscal year 2008.
- The Collections Division was responsible for the generation of total revenues of over \$233 million, a \$13 million (5 %) shortfall over the target of \$246 million for the year.

ARIZONA DEPARTMENT OF REVENUE



Strategic Plan Highlights

MISSION, VISION, VALUES

A Mission Statement is an explanation of purpose for why an organization exists. Our Mission Statement is “To administer tax laws fairly and efficiently for the people of Arizona.”

A Vision statement tells what an organization wants to become or what it hopes to achieve. Our Vision Statement is “Setting the standard for tax services.”

Our company culture is defined by embracing Values that are shared among all employees. Values set the ground rules for how we conduct business. Our Values for fiscal year 2009 are:

- Innovation – We encourage each other to think creatively.
- Integrity – We strive to exhibit the highest standards of ethics and encourage employees to take a personal responsibility in making decisions based on facts.
- Quality – We strive to do things right the first time and continually look for ways to improve.
- Respect – We believe that all customers and employees should be treated with dignity.
- Results – We choose our strategies based on desired outcomes.
- Teamwork – We believe that the best way to achieve excellence is together.

GOALS AND OBJECTIVES

We continue to focus on our three core goals in fiscal year 2009:

- To maximize our return on investment.
- To maximize customer and stakeholder satisfaction.
- To maximize employee satisfaction.

KEY MEASURE RESULT HIGHLIGHTS

The results of these key measures for fiscal year 2009 follow with a comparison to prior years.

TOTAL GROSS REVENUES COLLECTED

Detailed gross revenues are reported under Table 1.

FY08

Transaction Privilege Tax	\$7,597,257,813
Income & Withholding	\$4,805,821,218
Corporate	\$ 985,126,064
Other	\$ 640,983,162
Total	\$ 14,029,188,258

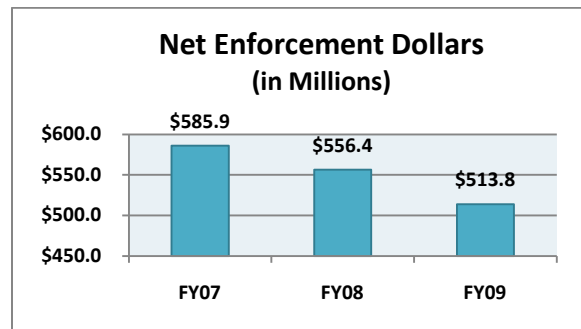
FY09

Transaction Privilege Tax	\$6,573,794,714
Income & Withholding	\$4,060,334,698
Corporate	\$ 749,268,088
Other	\$ 541,826,966
Total	\$ 11,925,224,465

TOTAL NET ENFORCEMENT DOLLARS

The enforcement numbers reported are the amounts in net dollars of revenue generated by the audit, collections and license compliance enforcement programs.

FY07	\$ 585,929,679
FY08	\$ 556,416,693
FY09	\$ 513,880,714



NET ENFORCEMENT REVENUE WITH GENERAL FUND TOTALS

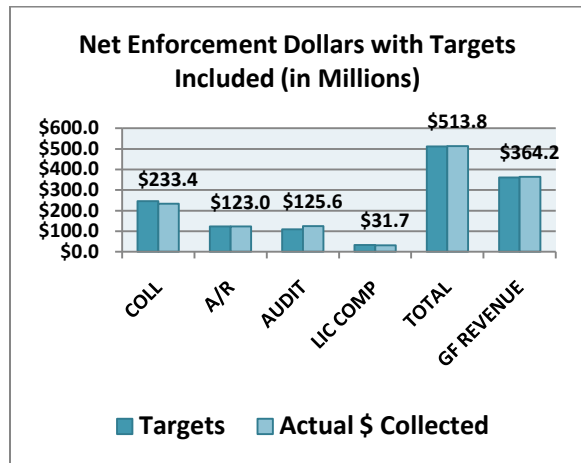
The enforcement program generated results at 100.4% of goal, just exceeding its targets in FY09. This chart also shows how much of the enforcement revenues went to the General Fund.

FY09 Net Targets

Collections	\$246.4M
Accounts Receivable	\$123.0M
All Audit	\$109.4M
License Compliance	\$ 33.0M
Total Revenue	\$512.0M
General Fund Revenue	\$361.3M

FY09 Net Actual

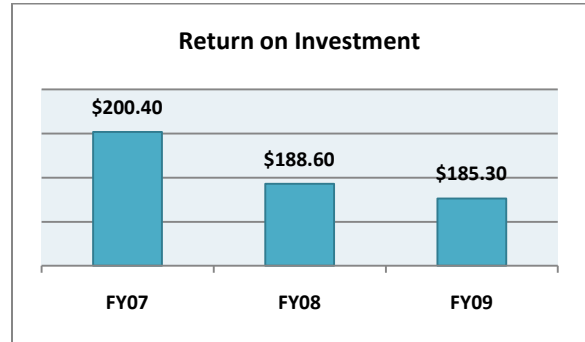
Collections	\$233.4M
Accounts Receivable	\$123.0M
All Audit	\$125.6M
License Compliance	\$ 31.7M
Total Revenue	\$513.8M
General Fund Revenue	\$364.2M



RETURN ON INVESTMENT

Return on investment is calculated by dividing the total number of gross revenue dollars received and processed into the total operating budget. For FY09, \$185.30 was produced for each dollar spent in the total DOR budget.

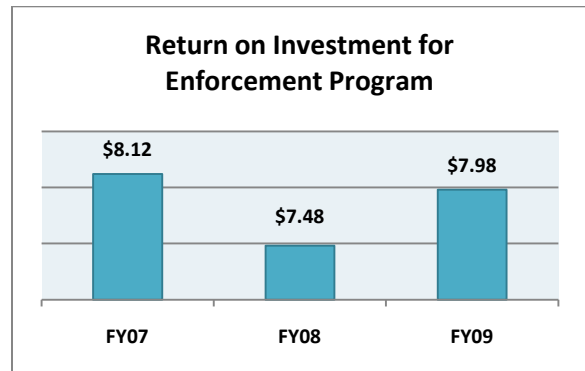
FY07	\$200.40
FY08	\$188.68
FY09	\$185.30



RETURN ON INVESTMENT FOR ENFORCEMENT PROGRAM

The return on investment for the enforcement program is calculated by dividing the total number of net enforcement dollars collected into the total operating budget. For FY09, \$7.98 of enforcement revenue was collected for each dollar spent in the total DOR budget.

FY07	\$8.12
FY08	\$7.48
FY09	\$7.98



AVERAGE COLLECTOR AND AUDITOR PRODUCTIVITY

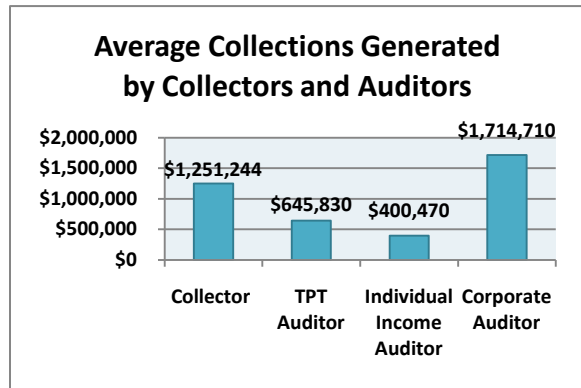
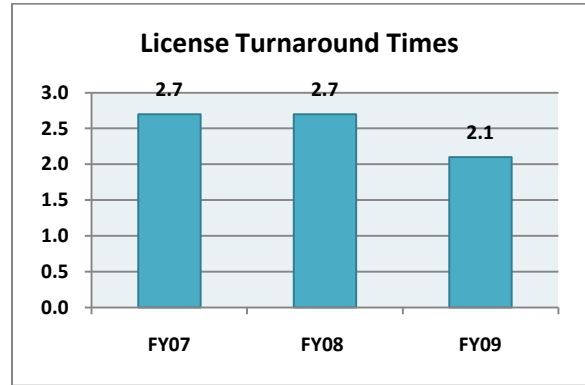
Historical data shows that an average veteran tax collector can produce over one million dollars a year. A veteran collector typically has one year of collections service and experience. Typical auditors are also able to generate anywhere from \$400,000 to over one million dollars depending upon the tax types and length of time in service. Auditors typically have a higher learning curve than collectors due to the nature of the jobs.

Collector	\$1,251,244
TPT Auditor	\$ 645,830
Individual Income Auditor.....	\$ 400,470
Corporate Auditor	\$1,714,710

NEW BUSINESS LICENSE TURNAROUND TIME

License turnaround time is defined as the point from when the initial application or request is received via walk-in, mail or electronically and ending when the approved license is mailed to the taxpayer.

FY07	2.7 days
FY08	2.7 days
FY09	2.1 days



TOTAL NUMBER OF TAX RETURNS PROCESSED BY TAX TYPE

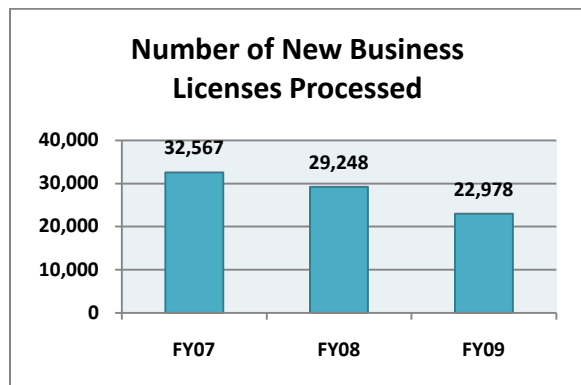
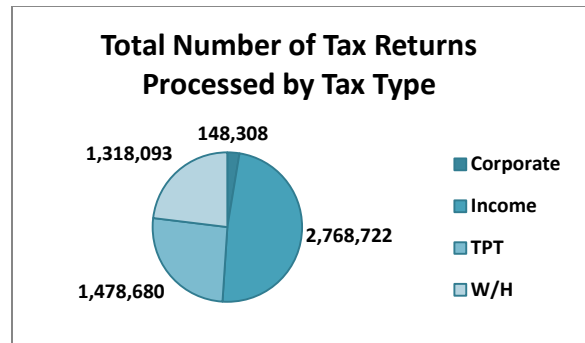
All tax returns are now processed through the BRITS system.

Corporate Income Tax	148,308
Individual Income Tax	2,768,722
Transaction Privilege	1,478,680
Withholding	1,318,093
Total Returns Processed.....	5,713,803

NUMBER OF NEW BUSINESS LICENSES PROCESSED

The number of licenses issued includes those issued via AZTaxes on-line applications, as well as those mailed to the License and Registration section or received at the counter.

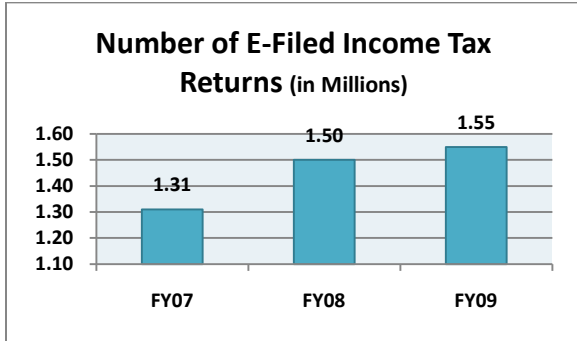
FY07	32,567
FY08	29,248
FY09	22,978



TOTAL NUMBER OF E-FILED INDIVIDUAL INCOME TAX RETURNS RECEIVED

Tax returns submitted via electronic filing are processed virtually error free. Interest in alternative filing has been increasing over the last few years.

FY07	1.31M
FY08	1.50M
FY09	1.55M

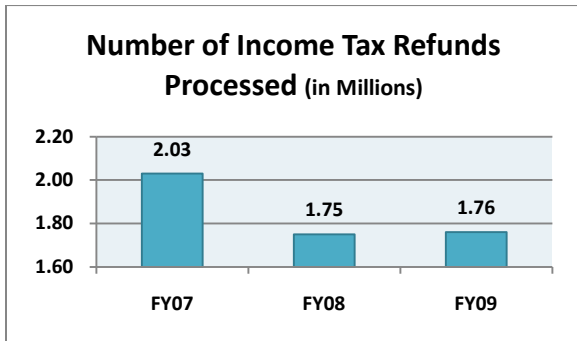


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**TOTAL NUMBER OF INDIVIDUAL INCOME TAX REFUNDS**

The total number of income tax refunds processed includes both electronic direct deposits and paper refund warrants.

|            |           |
|------------|-----------|
| FY07 ..... | 2,033,277 |
| FY08 ..... | 1,750,370 |
| FY09 ..... | 1,765,865 |

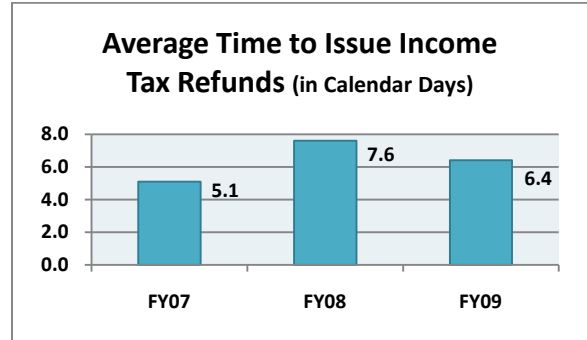


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AVERAGE TIME TO ISSUE INCOME TAX REFUNDS

The average time to process an income tax refund is measured in calendar days. The data includes cycle times for both paper and electronic refunds. Each year, more of the population takes advantage of electronic filing opportunities. A portion of those electronic filers also elect to receive their refunds electronically via direct deposit.

FY07	5.1 days
FY08	7.6 days
FY09	6.4 days

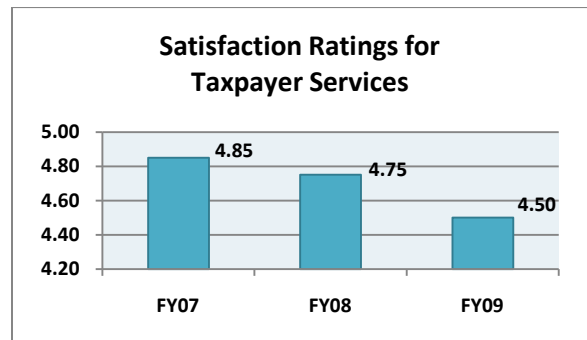


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**TAXPAYER SATISFACTION RATINGS FOR THE TAXPAYER SERVICES DIVISION**

These scores were received from taxpayers rating the services of the employees in the Taxpayer Services division's *Taxpayer Information & Assistance* call center. (All satisfaction ratings tracked at the department have a 1 to 5 scale, 5 being the highest rating.)

|            |      |
|------------|------|
| FY07 ..... | 4.85 |
| FY08 ..... | 4.75 |
| FY09 ..... | 4.50 |



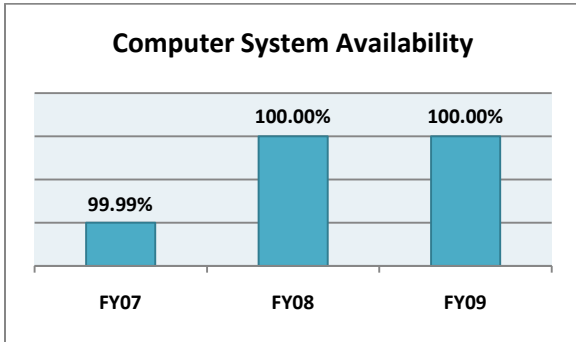
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PERCENT OF TIME THE LOCAL AND WIDE AREA NETWORK (LAN/WAN) IS AVAILABLE.

Local and wide area network availability is a good measure for the Information Technology Division to assess their ability as a service provider.

FY07	99.9 %
FY08	100.0 %
FY09	100.0 %

The key measures reported here serve as a general overview of how the department is progressing in line with the strategic plan. The strategic plan keeps us aligned with our Mission, Values, and Vision and our day to day performance as a department.



ADMINISTRATIVE SERVICES

Mission Statement: *To provide support and expertise in delivering excellent services by understanding our products and customers.*

The vision of the Administrative Services Division is to be the leader in innovative and proactive customer support.

The Administrative Services Division is responsible for the oversight of the department's financial and employee services. Programs administered by the division include the Employee Recognition Program, Travel Reduction Program and the Employee Suggestion Program. The division consists of the following sections/units:

Accounting

The Accounting Unit, which is part of the Financial Services Section, processes accounts payable invoices, provides travel services including employee reimbursement, and oversees the fixed assets inventory.

Budget Office

The Budget Office, which is part of the Financial Services Section, is responsible for monitoring current year expenditures against the approved budget, coordinating preparation of the department's budget, providing budget information and analysis to the director and the department's Leadership Team.

Employee Development

The Employee Development Unit (EDU), which is part of the Employee Services Section, provides centralized training for the department's employees. The role of the unit's trainers is to develop and deliver in-house training for agency-specific activities such as taxation, computer tax systems, and confidentiality guidelines. The unit offers classroom presentations; narrative self-study and computer based training courses, and coordinates with the Arizona Learning Center at the Arizona Department of Administration (ADOA).

Facilities Management

The Facilities Management Section coordinates building facility maintenance, remodeling office areas at the department's four buildings and coordinates tenant improvements to the buildings in cooperation with the ADOA. Facilities Management receives and logs all goods and supplies purchased by the

department; manages building security access and the security guards. The section oversees safety issues such as fire drills, safety inspections, and interaction with the State Fire Marshall.

Hearing Office

The Hearing Office holds hearings and issues written decisions on protests of department assessments and refund denials relating to income tax, withholding tax and estate tax.

Human Resources

The Human Resources Unit, which is part of the Employee Services Section, is responsible for administering personnel activities for the department. This includes consultations with management concerning employee relations and discipline, classifications of positions, recruitment, and staffing. The Human Resources Unit is also responsible for processing all personnel actions through the State's Personnel System (HRIS), new employee orientation, the employee benefits program, and interpreting ADOA Personnel rules and policies that govern personnel within the ADOA Personnel System. The Section also oversees the Affirmative Action/Equal Opportunity responsibilities, Family Medical Leave Act and Americans with Disabilities issues.

Payroll

The Payroll Unit, which is part of the Financial Services Section, is responsible for oversight of the department's employee payroll, which includes accurate tracking of hours worked, leave taken and payroll deductions through HRIS. The unit also oversees risk management issues.

Purchasing

The Purchasing Unit, which is part of the Financial Services Section, is responsible for contracting and purchasing all goods and services required by the department. This includes furniture and supplies and the printing of tax booklets and forms. The unit oversees all contract and maintenance agreements and is the program administration area for the State Purchasing Card Program (P-Card).

HIGHLIGHTS IN FISCAL YEAR 2009

- Accounting processed 99% of all invoices within 30 days.
- Facilities responded to 99% of building maintenance work orders within 24 hours.
- Facilities scheduled and worked with contractors in completing Phase I of the elevator remodel project which involved the total renovation of the freight elevator. Facilities also worked with the contractors for the start up of Phase II of the elevator project that involves the two north passenger elevators. Phase II and the final phase, Phase III (south elevators), will be completed in fiscal year 2010.
- Facilities completed the move of the East Valley Office from Chandler to Gilbert, Arizona. The move was completed without the use of a moving company and all cubicle demolition and installation was completed by the Facilities staff and contract general labor. The move was well coordinated and there was no interruption in service.
- Facilities renovated an unused computer room on the 2nd floor for the Process Administration Division as part of their plan to streamline the processing of tax documents.
- Facilities built a file room on the 3rd floor to secure tax documents.
- The Hearing Office resolved 161 cases during the fiscal year.
- Human Resources enrolled 98% of all DOR employees during the 2009 Benefits open enrollment period.
- Payroll timely processed payroll time sheets bi-weekly for the Department's employees. It also processed 390 direct deposit forms, 30 written employment verification forms, 217 retirement forms and 18 industrial injury claims.

AUDIT

Mission Statement: *To promote voluntary compliance by auditing, identifying common areas of non-compliance and educating taxpayers.*

The Audit Division consists of the Corporate Income Tax Audit, Individual Income Tax Audit, Transaction Privilege and Use Tax Audit and Special Taxes sections. We carry out our mission statement with an emphasis on treating the diverse taxpayer base fairly, consistently and respectfully.

Our staff members are professional, courteous employees whose expertises reflect in their performance and achievement of audit goals. Training and educating our employees is instrumental in developing skilled auditors. We take pride in our accomplishments and consistently strive to be more efficient, exceed expectations and be viewed as a model audit program.

Corporate Income Tax Audit

The section is comprised of the Field Audit, Office Audit and Tax Shelter units.

The Field Audit Unit conducts the majority of its audits outside of Arizona at the corporate headquarters where the corporation's books and records are maintained.

The Office Audit Unit focuses its audit work on desk audit programs such as analyzing, verifying, and processing of amended returns and refund claims, tax clearance letters, verification of net operating losses, including audits based upon federal revenue agent reports. Due to many computer system enhancements, this unit is moving into an electronic flow of information that allows the work to be more efficient and productive.

The Tax Shelter Unit, working with the Internal Revenue Service, other states and tax administration organizations identifies potential offenders who have utilized abusive tax schemes in order to avoid paying state income tax.

In the spirit of cooperation with other state agencies, the department entered into an inter-service agency agreement with the Arizona Department of Commerce regarding the motion picture tax credit. Under this agreement, the department is lending corporate income tax

expertise to assist in the review of filings by production companies seeking tax credits.

Individual Income Tax Audit

The Individual Income Tax Audit Section is comprised of staff dedicated to providing quality service in educating taxpayers by ensuring the correct amount of tax is reported. Audits of individuals and pass-through entities such as Partnerships and S Corporations are conducted in both the office and field. The Section has placed an emphasis on treating taxpayers in a courteous and professional manner.

The Section continued to provide assistance with the department's reengineering (BRITS) project. Part of this project is the development of a new base audit system which will further modernize the Section's processes. Data warehousing will allow continual improvement in the quality of the audit process by matching of information available to the Section.

Revenue Agents Reports received from the Internal Revenue Service are being increasingly referred to the department in an electronic format. Receiving this data in an electronic format allows the department to create a more complete audit file that includes all other department data and information on the taxpayer and tax year involved without requiring manual research by our clerical support staff. Audit files contain all information that an auditor would need in order to process the audit and make all necessary adjustments. This results in an audit being issued in a more timely manner as manual clerical support research is not required.

Special Taxes

Special Taxes is comprised of four separate units: Bingo and Estate Tax, Discovery, Luxury Tax, and Nexus.

The Bingo and Estate Tax Unit issues licenses, processes returns and conducts audit examinations of bingo licensees. The staff investigates complaints and violations of bingo laws, as well as conducts workshops and consultations with bingo licensees. The unit also processes all estate tax returns and conducts Estate Tax audits

The Discovery Unit uses electronic records from outside sources paired with technology to create

non-filer leads that are explored by the unit's auditors.

The Luxury Tax staff administers the taxes imposed on tobacco distributors and liquor wholesalers. This includes the licensing of tobacco distributors and processing of tax returns for both tobacco and liquor, as well as performing distributor audits and collecting taxes from consumers who purchase tobacco products via the internet or through mail order. The unit also supports the Office of the Attorney General in administration of the Tobacco Master Settlement Agreement.

The Nexus Unit identifies companies and individuals who have an obligation to file tax returns with the state of Arizona, including, but not limited to, corporate income tax, transaction privilege/use tax, and individual income tax. Nexus is Latin, from *nectere* to bind. For tax purposes, it describes the connection (or link) that an out of state company/individual has within a taxing jurisdiction. The unit is also responsible for maintaining the department's Voluntary Disclosure Program. This program facilitates the process for taxpayers, who have determined that they have an obligation to come into compliance with their filing requirement(s) with the department.

Transaction Privilege and Use Tax Audit

The Transaction Privilege and Use Tax Audit Section is comprised of Field Audit Unit, License Compliance Unit, Refund Unit and Desk Audit Unit.

The Field Audit Unit conducts the majority of its audits inside Arizona but does out-of-state audits as well. The determining factor is the location of the taxpayer's books and records.

The License Compliance Unit continues to prove to be a dynamic and successful unit. The staff can be counted on to assist taxpayers to ensure tax compliance. License Compliance officers do both office research and field work. Their goal is to provide the best customer service possible, seek out those businesses that are not licensed for transaction privilege and/or withholding tax and provide education and knowledge, so taxpayers across the state can voluntarily comply with the tax laws.

The Refund Unit is responsible for analyzing and processing taxpayer refund requests. The auditors in this unit conduct both desk and field work to verify information supplied for requested refunds.

The Desk Audit Unit mainly works on projects dealing with use tax liabilities. The information processed in this unit is from various governmental agencies.

HIGHLIGHTS IN FISCAL YEAR 2009

- The Audit Division's gross enforcement collections for fiscal year 2009 exceeded \$177 million.
- The Corporate Income Tax (CIT) Audit Section completed the fiscal year with a customer service survey rating average of 4.79, on a scale of 1 to 5 with 5 being excellent.
- The CIT Field Audit unit assessed approximately \$69 million and collected approximately \$39 million.
- The CIT Office Audit unit assessed approximately \$4 million and collected approximately \$1.1 million.
- The CIT Tax Shelter Unit assessed approximately \$3 million and collected approximately \$1.8 million.
- The Individual Income Tax (IIT) Audit Section completed the fiscal year with a customer service survey rating average of 4.01, on a scale of 1 to 5 with 5 being excellent.
- The IIT Audit Section issued over 35,000 audits, assessed over \$26.3 million and collected over \$14 million.
- The quality of IIT initial audit assessments continued to improve. For FY09, over 87% of the initial audit assessments required no changes. The goal was to achieve a rate of 82%.
- The Nexus Unit brought almost 400 businesses into compliance and collected over \$47.7 million.
- The Transaction Privilege Tax (TPT) Audit Section completed the fiscal year with a customer service survey rating average of 4.62, on a scale of 1 to 5 with 5 being excellent.
- The TPT Field Audit assessed approximately \$64 million and collected over \$26 million.
- The TPT License Compliance Unit licensed 1,593 new businesses and collected over \$36 million.
- The TPT Desk Audit Unit licensed 2,201 new businesses and collected over \$7.3 million.

- The TPT Refund Unit approved and processed 273 refunds totaling \$11.8 million.
- The Audit Information Technology (IT) Section continued work on the new audit workbench, ESKORT. IT completed system testing and

began user acceptance testing during the fiscal year. In addition to the ESKORT project, the section has been diligent in servicing the production needs of the Audit Division.

COLLECTIONS

Mission Statement: *To collect delinquent tax liabilities in a fair manner, to promote voluntary compliance through the impartial enforcement of tax laws, and to provide efficient service to the taxpayers of this state.*

Office Collections

After the Accounts Receivable system has completed the prescribed billing cycle, cases are referred to Office Collections. Delinquencies (business accounts with returns that have not been filed) are also worked in this section. Here, collectors attempt to reach account resolution via the telephone and with targeted mailings. Office Collections uses an Automatic Call Distribution (ACD) system to process and handle incoming calls. This system has an Interactive Voice Response (IVR) module that provides automated responses for some basic collections questions such as account balances.

Office Collectors can request that liens and levies be filed and can negotiate installment payment plans. If they are not able to resolve a case, it is referred to Field Collections or Special Operation for further action.

Field Collections

If an Office Collector determines that a case cannot be resolved by phone and that a field (on-site) approach is warranted, the case is referred to the Field Collections section.

Field collectors are assigned a territory (by ZIP code) and are responsible for all types of tax cases (income, business, withholding, etc.) in the territory. Field collectors use a combination of telephone and field visits to effect closure. In addition to recommending lien and levy action, Field collectors may subpoena records, investigate Offers-in-Compromise, conduct seizures and write off cases if they are determined to be uncollectible.

The objective in Field Collections is to reach closure in the least intrusive manner. Seizure actions are only used as a last resort after all other more reasonable actions have failed.

Administrative Support

Provides all support functions for the division: payroll, mail, maintenance on collection accounts, filing and releasing of tax liens and providing Certificates of Compliance.

Debt Set-Off

The area is responsible for the offsets of income tax refunds to pay other delinquent taxes and debts owed to other state agencies or courts. The process involves matching data received from other agencies against refund data, notifying participating agencies and taxpayers when matches are made, validating the information, and paying the claims when warranted. The unit's duties also include qualifying agencies and courts for participation in the program and resolving discrepancies as necessary to protect the rights of both taxpayers and claimants.

HIGHLIGHTS IN FISCAL YEAR 2009

- The division was responsible for the generation of total revenues of over \$233 million, a \$13 million (5%) shortfall over the target of \$246 million for the year.
- Office collections began accepting payments over the phone for individual income tax. This includes payments through checking accounts, credit cards, and some debit cards (Visa[®] and MasterCard[®]).
- New temporary hardship considerations for taxpayers were established, including temporary deferments for short-term hardship situations, extended payment plans, tailored to assist taxpayers in repaying their tax debt based on their specific financial situation.
- More flexible payment plans negotiated to fit individual taxpayer situations; less taxpayer documentation required to set up payment plans.

EXTERNAL SERVICES & SPECIAL PROJECTS

Criminal and Civil Investigations

The Criminal and Civil Investigations Section is comprised of the Tobacco Enforcement Unit and the Criminal Investigations Unit. The Tobacco Enforcement Unit enforces the tobacco luxury taxes by educating retailers and wholesale suppliers, inspecting tobacco products for compliance with tax stamp requirements and seizing products that are not being sold legally in Arizona. The unit also investigates criminal activity, such as the importation and sale of counterfeit tobacco products. The Criminal Investigations Unit investigates tax evasion, improper or fraudulent tax activity by both taxpayers and preparers, and other related issues. Both units work with other law enforcement organizations to prosecute tax-related crimes.

Forms and Publications

This unit is responsible for design and printing of all official department forms, except Property Tax related forms, and review and approval of all substitute forms used by software vendors in preparing Arizona tax returns. This unit is also responsible for the production of informational publications.

Legislative Services Team

This team represents the department at the Legislature. Coordinates the analysis, research and testimony of tax legislation, reads, analyzes, and tracks bills through the legislative process; coordinates implementation of legislation after passage. Acts as the liaison between legislators and the department including handling constituent issues for legislators and the Governor's office, monitors federal law changes.

Office of Economic Research and Analysis

The Office of Economic Research & Analysis provides statistical analysis and research services to the department, the Governor's Office, the Legislature and other political subdivisions as well as the private sector. Fiscal impacts, where possible, and analysis are provided for proposals of changes to taxes administered by the department. This Office provides forecasts of general fund revenues from the major three tax types for consideration in the Governor's budget proposal. Staff support is provided for the Economic Estimates Commission, the Debt Oversight Commission and the Property Tax Oversight

Commission. An individual income tax simulation model is maintained to analyze proposed changes to Arizona's individual income tax. The department's annual report is prepared by this Office, as well as the Tax Expenditure Report and the Report on Bonded Indebtedness. Other reports are prepared throughout the year providing statistics and information on various tax types, including the monthly publication Tax Facts.

This Office is also responsible for a variety of administrative duties involving everything from assisting in the re-engineering of the department's computer system to directing transfers of funds from specific tax types as directed by statutes.

The Quality Office is also a part of the Office of Economic Research and Analysis. The Quality Office coordinates the strategic planning efforts of the department with programs focusing on agency-wide quality initiatives. Included in these initiatives are customer satisfaction survey improvements, feedback and analysis and benchmarking studies.

Public Information Officer

This position is the official spokesperson for the department, facilitates the flow of information to the public, and responds to all media contacts and inquiries.

HIGHLIGHTS IN FISCAL YEAR 2009

- Restitution payments received during fiscal year 2009 totaled \$21,563. This total is a combination of both financial-related and tobacco-related prosecutions wherein the suspect(s) were ordered to pay restitution.
- The Financial Investigations Unit has submitted several cases to the Attorney General's Office for prosecution of fraudulent schemes and tobacco related cases. One of these cases was indicted before the Grand Jury during this fiscal year.
- The Financial Investigations Unit has stopped/recouped \$1,898,088 in fraudulent refunds.
- Thirty-nine citations were issued during fiscal year 2009. Many of the citations had more than one charge. There were 31 offenses for knowingly selling tobacco on which no taxes

had been paid in violation of A.R.S. §42-1127(G), and knowingly selling cigarettes without tax stamps in violation of A.R.S. §42-1127(H). Nineteen were for failing to produce tobacco invoices as required, in violation of A.R.S. §42-1127(I)(1). Additional charges included possession of cigarettes bearing Nevada stamps, and distributor requirements. Fines assessed by the courts on these citations during fiscal year 2009 totaled \$5,500.

- There were a total of 1,139 retail inspections that were conducted during the year, along with

129 distributor inspections. The following tobacco products were seized during the year:

- a) 86,155 cigarette sticks
 - b) 63,415 cigars
 - c) 18,314 blunts
 - d) 367+ lbs OTP (other tobacco products)
- The amnesty program was quite successful. Nearly \$32 million was received from the 648 taxpayers that were granted amnesty status. Of that amount, more than \$27 million was deposited into the general fund.

INFORMATION TECHNOLOGY

Mission Statement: *The IT Division provides the Department of Revenue (DOR) with an integrated technology environment and automated business processes which allow for timely, efficient, and secure transfer of information to employees, taxpayers, and other agencies.*

Application Support

Application Support provides maintenance services for the BRITS Taxpayer Administration System (TAS), BRITS feeder applications like Data Entry, eFile, 2D Barcode, AZTaxes, all mainframe applications (including the Property application) and the Reporting Function. Significant activities include working with Production Control to schedule production runs, supporting production processes (such as the monthly TPT Close) and resolving defects either on an emergency basis or as a part of packaged releases. Defects are completed based on user priority. Application Support works closely with Customer Service in responding to customer requests for support as well as software release management, implementation and performance enhancement; Business Analysis & Testing for requirements definition and testing; and Information Security for compliance.

Business Analysis & Testing

The Business Analysis & Testing (BAT) group acts as a liaison between IT and the functional areas within DOR (Collections, Audit, Taxpayer Services, etc). BAT administers all System Investigation Reports (SIRs) and ensures requests are properly tracked and prioritized. BAT is responsible for establishing policies, standards, methodologies, and guidelines pertaining to business requirements gathering and application testing. BAT works closely with the functional areas to better understand their business and IT requirements and seek ways to improve efficiencies through the use of application technology. BAT is responsible for testing all software applications prior to deployment, which includes implementing changes or fixes to new and existing applications.

Operations and Security

The Operations and Security team consists of Customer Service Center, Database Administration, Information Security, Network Support, Production Control, and Systems Engineering.

The Customer Service Center is responsible for supporting PC's, laptops, printers, PDA's, phones, and other computer and telecommunications devices for the agency. In order to provide support for the agency, this unit has been broken up into two groups (Help Desk and Desktop Support).

The Help Desk plays a key role in providing a single point of contact for the efficient resolution and escalation of technical support problems and requests for the agency. This area is also responsible for delivering technical support with outstanding customer service, satisfaction, and timeliness within the agency guidelines.

The Desktop Support Team plays a critical role in making sure that all employees have the required hardware, software, and peripherals necessary to perform their job functions as well as providing the technical support to keep them up and running.

The Database Administration team supports various activities in database administration which include ensuring availability; performing backup/recovery; capacity management; maintenance; database performance diagnostics, tuning and monitoring; migrations to production; upgrades to ensure software/vendor compliance; and job scheduling. The databases supported are Oracle (TAS), SQL Server (AZTAXES, e-File, ESKORT), SAND (Executive Dashboard), and Teradata (for the Audit division). The team provides RACF system support. The team also handles Tier 3 support for problem management.

The Information Security (InfoSec) unit is a centralized unit which ensures a methodically sound program is in place throughout DOR, with the primary focus of protecting the information and systems based upon governance and security best practices. The DOR InfoSec Program includes the following functional areas:

- Access and Authentication
- Policy and Compliance
- Monitoring Events and Incident Response
- Employee Awareness

The Network Support team is responsible for the support and management of the hardware and operations systems for all servers, storage systems, backup/archive, network, and Virtual Private Network (VPN). This team has primary hardware and operating system oversight of the Servers and Storage located with our external vendor. This team is the Tier 3 support for all IT teams. This team works closely with Information Security and the Project Management Office to insure that new development is supportable.

Production Control's primary objective is ensuring batch scheduling and processing on both the mainframe and BRITS systems are completed.

The Systems Engineering Team is responsible for support, management and monitoring of client server (BRITS) technical infrastructure, Oracle Application/Reports/Web Server environment, mid-tier client server applications and overall BRITS system interfaces and integration. This team also directly supports BizTalk/BUFT management as well as applications that maintain the AZTaxes website. In addition, this team manages AZTaxes and AZDOR.gov web code migrations to insure usability and availability for taxpayers. This team works closely with Database Administration, Application Support, Network Support, and Customer Service Center.

Project Management Office (PMO)

The PMO is responsible for establishing, maintaining, and enforcing project management processes, procedures, and standards for IT projects. The PMO was established to better determine best practices in project methodology and standards, while actively managing a variety of projects and programs.

The primary goals of the PMO are to:

- Promote excellence in Project Management for all IT projects, both by supplying experienced and qualified Project Managers and by providing guidance to project team members;
- Guide key IT projects to a successful conclusion;

- Create a foundation for consistent IT project success throughout the organization, achieved through development of a strong and pervasive Project Management discipline;
- Support the mission, vision, and goals of the department.

HIGHLIGHTS IN FISCAL YEAR 2009

- A legislatively established Tax Amnesty program was successfully executed, the first such program operated completely under the department's BRITS system. The required business process, system software changes and taxpayer communication were completed within 60 days.
- The division continued to operate its critical systems from a new data center hosting vendor, Infocrossing. Late in 2008, the department relocated 28 computer servers to Infocrossing's data center in Tempe, with no unscheduled downtime and no critical issues.
- IT saw continued improvement of business analysis and testing processes. These restructured areas allowed increased support for BRITS (post Accenture) and release management. IT also focused on improving Tier 2 support to better align with the Customer Service Center.
- IT was able to expand their base of support of important processes and applications with training and turnover of information from Accenture, DOR's outsourced counterparts.
- The Network Support team improved the stability and throughput of Virtual Private Network (VPN) connections for both business partners and DOR staff.
- A new Virtual Machine (VM) solution was implemented that allowed for the addition of 33 new servers without acquiring additional hardware.
- The division achieved improved Taxpayer Administration System (TAS) user response times and job completions through the multi team efforts of Application Support, Database Administration, Systems Engineering and Production Control.

- Database Administration implemented several SQL Server 2008 database systems to support development and test efforts for Content Management Systems.
- Application Support delivered ten maintenance releases for the BRITS application. These releases were designed to increase performance, adapt to new business rules, correct defects, and provide annual and legal changes. The number of service investigation requests (SIRS) updated was 361. Examples of maintenance release items include:
 - Monitoring of the BRITS processes led to the identification and resolution of numerous performance bottlenecks. Included in these were changes that resulted in performance improvements. For example, the BRITS Accounts Receivable summary report was identified as containing a slow query which took as long as 200 hours to complete during peak times. The query was re-engineered and now finishes in 70 hours.
 - The BRITS Application support team automated the process of reviewing, approving, and sending bills to our vendor, Source Corp. This benefits all taxpayers by allowing more time to plan and make payments.
 - Changes were implemented to the BRITS application to support 2008 tax return processing for Income and Corporate taxes.
 - The Application Support Team was able to solve 2,704 HEAT tickets. HEAT is our incident management system that tracks problems and user requests.
- The BRITS Application Support Team oversees and manages more than 31 separate processes supporting various DOR functional areas. Of large significance is the management of the taxpayer correspondence letters reviewed and sent electronically to our vendor SourceCorp for printing and mailing. Included
 - are over 40,000 notices of enforced action, 90,000 tax correction notices, 208,000 accounts receivable demands, 40,000 final demands, 111,000 refund adjustments, 80,000 delinquency notices, and 17,000 payment plan notices.
- IT effectively implemented new rate and legislative changes as required for Real and Personal Property 2008 Tax Year Billings.
- During the past year the Desktop Support Team has played a leading role on several refresh projects.
 - The Desktop Support team completed a printer refresh; which will allow the agency to save costs on maintenance, parts and energy.
 - The Desktop Support team is in the process of completing a Laptop Refresh project, which gives employees the ability to perform their job functions more efficiently due to newer technology. This refresh also allows the agency to save on maintenance costs and employee downtime.
- The Information Security team has made significant advancements to enable them to provide better monitoring and processes for the agency through the following efforts:
 - The team implemented the access request process through the use of a new access request form. This process formalizes how access is approved and provisioned throughout the agency.
 - Information Security implemented full-disk encryption on all new laptops to provide better protection of sensitive taxpayer information.
 - A new Security Incident and Event Management (SIEM) tool was purchased which allows Information Security to proactively monitor DOR network and systems. Currently, the application is being enhanced to achieve proactive monitoring.

PROCESS ADMINISTRATION

Mission Statement: *To provide quality service by processing all tax returns and payments accurately and timely for Arizona taxpayers.*

The division consists of the following sections:

Processing Services

Processing Services is responsible for the opening, batching and processing of tax documents for the four major tax types. Mail Services is responsible for the receipt, sorting and delivery of tax documents, payments and correspondence received by the agency. Processing is responsible for batching documents and identifying any “trouble” documents prior to being data entered for all taxes.

DOR Treasury

DOR Treasury is responsible for depositing all tax revenue and data entry for all tax return information for the largest four tax types (individual income, transaction privilege tax, withholding and corporate).

Error Resolution

Error Resolution, which includes the Review unit, is responsible for ensuring accuracy in the processing of returns and payments for the largest four tax types (individual income, transaction privilege tax, withholding and corporate).

Revenue Accounting

Revenue Accounting is responsible for providing financial services for the department. This includes the reconciliation and reporting of tax dollars deposited to the State’s financial institution, revenue and taxpayer accounting services, including accounts receivable management and refund/warrant management.

Records Management

Records Management is responsible for the filing, maintaining and storing of all tax documents. Records Management also provides access to tax returns and license applications within the department.

HIGHLIGHTS IN FISCAL YEAR 2009

- The Process Administration Division continued to meet their goals for depositing money to the State’s general fund and issuing individual income tax refunds to Arizona taxpayers. These goals could not have been met without the 54 auditors and 41 collectors that assisted the division during this tax season.
- 5.3 million tax documents were received and processed for the largest four tax types.
- 4.0 million payments were received, processed and deposited with an average deposit time of 3.13 days.
- 1.8 million refunds were issued to individual income taxpayers.
- In August, 2008, the department began accepting credit cards for tax payments. As of June 30, 2009, the department has processed 18,371 credit card transactions for a total of \$8,265,533 in tax revenue.

PROPERTY TAX

MISSION STATEMENT: *To ensure fair and uniform property values for Arizona taxpayers.* The vision of the Property Tax Division is to deliver excellent property tax services.

The Property Tax Division is responsible for general oversight of the county assessors in the administration of Arizona's property tax laws and for the valuation of complex, geographically disbursed properties. Functional areas of the Property Tax Division and primary responsibilities of each are discussed below.

Centrally Valued Properties

The Centrally Valued Properties Team annually determines the full cash value of all utilities, railroads, mines and other complex or geographically dispersed properties (see page 83 for a list of the industries valued by the department). Values determined for such properties, with the exception of flight property and private rail cars, are transmitted to the appropriate county treasurers for collection of property taxes. In addition, the team assists county assessors with maintaining and updating a standardized cadastral mapping system. The team prepares tax area code maps that depict boundaries of taxing jurisdictions authorized to levy property taxes.

Assessment Standards

The Assessment Standards Team oversees and ensures the application of uniform appraisal methods and techniques used by county assessors to determine the value of property. The team also presents technical workshops to county assessors and provides an appraiser/assessor certification program for appraisal staff.

Personal Property

The Personal Property Team oversees the development and application of personal property valuation procedures and manuals, and provides technical workshops to county personnel.

Construction Cost

The Construction Cost Team maintains the computerized Construction Cost Valuation System and provides it for use by all county assessors to value property by the cost approach. The team also provides training for county appraisers in the use of the Construction Cost Valuation System.

Central Information Services

The Central Information Services Team coordinates the data processing services necessary to support property tax administration for six Arizona counties. The support services provided to the counties include management of automated systems used in the preparation of assessment and tax rolls, the preparation of valuation abstracts, property tax notices of value and statements of taxes due.

Computer Assisted Valuation

The Computer-Assisted Mass Appraisal Team develops sales-based models for residential properties and maintains and assists county assessors with the Land Valuation System and the Sales Tracking System.

Manuals and Forms

The Manuals and Forms Team is responsible for the annual compilation and updating of manuals and guidelines, review of forms prescribed for use in the administration of the property tax system, review of legislative enactments and changes to existing property tax statutes, and preparation of the Title 42 Extract of Property Tax Statutes.

Equalization

The Equalization Team is responsible for annually measuring county assessor performance for compliance with established full cash/market value standards. The team conducts sales ratio studies throughout the yearly valuation cycle to assist counties in complying with valuation standards.

HIGHLIGHTS IN FISCAL YEAR 2009

- The Manuals and Forms Team completed its conversion of the Property Tax Division's 79 forms from hard copies to an electronic format. All administrative appeal forms were modified from multipart pre-printed forms to electronic format for use in the 2009 appeal cycle, with instructions modified for the new format. The team formatted 18 forms to be fillable online, seven of which also contain calculable fields. Twenty-eight of the Property Tax Division's forms are now available on the department's web site. Upon request, all Property Tax Division forms can be provided in a digital PDF format.

- The Equalization Team received information on over 156,000 Arizona real estate sales transactions. The team entered this data into a database and analyzed it to evaluate how uniform each county assessor's property values were within market areas. Using this and other data, the team worked with each county assessor to maximize the number of markets which could be brought into compliance with equalization standards, as well as identifying those markets which might need re-appraisal plans.
- The Centrally Valued Properties Team valued a total of 809 properties. Only 39 taxpayers requested an informal conference with the department and less than two percent filed appeals to the State Board of Equalization and the Arizona Tax Court.
- The Training and Certification Team in the Assessment Standards Unit provided training to 105 students attending Level 1 courses and 127

students attending Level 2 courses in the DOR Appraiser Training and Certification Program this fiscal year. In addition, 55 appraisers received their Level 1 certification and 45 appraisers received their Level 2 certification during the fiscal year. The Property Tax Division also continued its partnership with Rio Salado Community College. The partnership allows students attending DOR appraiser training and certification courses to receive college credit through Rio Salado Community College. Students completing Level 1 courses are eligible for nine semester hours of credit and students completing Level 2 courses are eligible for six additional semester hours of credit. A total of 30 students completed the Level 1 series of courses and 24 students completed the Level 2 series of courses in the Rio Salado program during this fiscal year.

TAXPAYER SERVICES

Mission Statement: *To meet the needs of our customers in a professional manner, with the highest standards of integrity.*

2009 brought many challenges and opportunities to Taxpayer Services. Specifically, furloughs and the Reduction in Force had a serious impact on the level of service offered to taxpayers in the final four months of the year. Overall, the Division effectively lost more than 40% of its workforce yet still delivered exceptional levels of service to millions of taxpayers, enrolled agents, CPA's and other constituents.

Community OutReach and Education (CORE)

Due to financial constraints, the CORE Program was eliminated in March 2009.

This section provided the department's outreach and educational programs for taxpayers and practitioners. CORE's primary goal was to promote voluntary compliance with tax laws through taxpayer and practitioner education. The staff developed and presented workshops, and specialty presentations, and participated in trade, business, and government events throughout the state. The programs focused on support for the small business community; and services and assistance were also directed toward the needs of personal income tax filers. Many projects were developed in partnership with the Internal Revenue Service, other federal, state, and local agencies, and Small Business Development Centers, as well as the Small Business Administration and other business associations. CORE also enjoyed good relationships with Chambers of Commerce throughout the state.

In addition to the presentations, CORE provided exhibitor tables for other organizations to display their products and services to the small business community. Exhibitors included the Arizona Department of Insurance, SCORE, the Small Business Administration, and the Arizona Department of Commerce.

The annual Tax Talk seminar in December was designed to provide continuing education to tax practitioners. CORE was also the liaison between the department and the Earned Income Tax Credit (EITC) and the Volunteer Income Tax Assistance

(VITA) programs that provided tax preparation services for low income, elderly, and non-English speaking populations. CORE provided tax preparation sites, preparer training, training materials, and logistical support for these programs.

e-File

This program was established to coordinate services between government agencies, the practitioner community and software industry. The team approves software for use by practitioners and the public. They also market the benefits of e-Filing to taxpayers. Tax returns that are submitted through this program are processed virtually error free and refunds are issued in days rather than weeks.

License and Registration (L & R)

The License and Registration Section processes applications for transaction privilege, use, severance, and withholding Taxes. The unit also issues transaction privilege tax licenses for program cities that participate in the state tax collection program. They also administer the taxpayer bonding program that protects the state against potential losses of tax revenue from contracting businesses and other high risk taxpayers.

The section oversees and maintains the database of licensed businesses. They provide assistance to the public through dissemination of licensing information, publications, and referrals as needed. The section handles the over-the-counter sales of tobacco stamps and provides cashiering services at each of the department's locations.

Taxpayer Information and Assistance (TIA)

This vital hub of employees provide tax information to individual income and business customers, corporate officers, tax practitioners, enrolled agents and other authorized representatives.

TIA is responsible for responding to customer inquiries concerning business and income taxes administered by the department. The staff answers questions and offers resolution for account disputes in relation to billing, taxability, business registration, filing and payment. The various avenues of communication come to the department through the telephone call center, webmail, written correspondence and our walk-in offices at each of the department's locations.

The staff handles individual income tax forms distribution every tax season via mail and telephone orders. This is an enormous task that is performed to ensure all form distribution sites in Arizona are adequately stocked with Arizona state tax forms and instructions.

Thanks to the clerical support team, thousands of Power of Attorney and Disclosure forms are processed every year. This is quite a task considering hundreds may be received from a single payroll company in one day. In addition to other duties, this team is responsible for providing guidance for walk-in customers at the lobby reception desk in our Phoenix office.

Another important part of TIA is the Penalty Review Unit (PRU). This unit is responsible for reviewing and making decisions on requests for abatement of penalties for non-audit periods. In the event of a subsequent hearing in cases where abatement was denied, a representative from PRU will attend the hearing to present their case substantiating their decision.

Unclaimed Property

This program is administered to return abandoned property such as contents of safe deposit boxes, dormant bank accounts, insurance policy proceeds, security deposits, unclaimed stocks, bonds, and mutual fund accounts, and all types of uncashed checks to rightful owners. Through a variety of methods, the unclaimed property staff attempts to locate the owners and processes claims in order to return the property. The staff facilitates the reporting and remitting of abandoned property from businesses, financial institutions, and other entities that hold the property. The unit is also responsible for promoting compliance with the Unclaimed Property Statutes through outreach and audit.

HIGHLIGHTS IN FISCAL YEAR 2009

- E-Filing of individual income tax returns increased 7% with over 1.6 million returns filed electronically. In addition, more than 539,000 2-D (two dimensional) barcode income tax returns were received. Together, 80% of all tax year 2008 income tax returns received were processed without data entry which results in agency savings in processing costs and administration of records retention, and a much faster and better customer experience.

- This year the “home-market” prepared 33% of the e-Filed returns. Additionally, tax payments by direct debit increased by 11%, which is a sign of increased confidence in electronic transactions with government.
- Direct deposit of refunds increased by 6% on e-Filed returns this year. Taxpayers who choose this option receive their refunds in an average of five working days. In addition, DOR saved more than \$617,000 in postage costs by not mailing these warrants.
- One of the License & Registration (L&R) business objectives is to process all Transaction Privilege, Use, Severance, City Only, and Withholding tax applications received within 3 days. This goal was achieved by processing 38,999 applications with an impressive average of 2.1 days. The applications were a part of the nearly 141,000 total documents processed by the section. Nearly 41% of all license applications are now done online. L&R staff processed over 3,600 taxpayer bonds and collected over \$335,526 in delinquencies.
- During the year, L&R also assisted over 18,000 customers over the counter and cashiered nearly \$324 million in payments.
- Taxpayer Information and Assistance had a successful fiscal year 2009 as evidenced by the accomplishments listed below:
 - ✓ Calls offered for the year was 450,455, a decrease of nearly 122,000 calls from fiscal year 2008, or roughly 10,000 calls per month. This is an incredible Agency statistic as it indicates we communicated more clearly and timely with our customer base all year long reducing the need for contacting the Agency.
 - ✓ We answered 315,225 calls, an increase of over 1,000 calls per month, or up 5% year on year. The percentage of calls answered for the year was 70%, much higher than the 53% achieved in the year earlier period.
 - ✓ Correspondence cases worked were 23,021, down from 29,331 the prior year. The drop is due to the clearing out of excessive backlogs in fiscal year 2008.
 - ✓ Web mail inquiries totaled almost 17,000, an increase of over 30% year on year.

- ✓ Penalty abatement cases reviewed for non-audit tax periods ended the year with 2,873, at an average turnaround time of 39 days.
- ✓ Walk-in office staff assisted a total of 15,417 customers; 11,166 in the Phoenix area offices and 4,251 in Tucson.
- The number of new properties reported to Unclaimed Property in fiscal year 2009 totaled

342,227 with total collections equaling more than \$74 million. The claims processing staff returned properties valued at over \$22 million to the rightful owners. The average time to process and pay a claim was an impressive 74 days given the significant negative impact to staffing in the last third of the year.

TAX POLICY & RESEARCH

The division provides administrative tax policy for the department, legal and interpretative support, case resolution and advocacy for the various divisions within the department. The division also acts as liaison to the Attorney General's Tax Section and coordinates the defense of litigation with the Tax Section attorneys. The division provides additional support to the director on an as-needed basis, including services in the area of protecting taxpayer confidentiality and privacy. The division consists of Corporate Audit Appeals, Individual Income Audit Appeals, Transaction Privilege Tax Audit Appeals, and the Tax Research & Analysis Section.

Tax Research & Analysis

Tax Research & Analysis Section reviews, analyzes, develops and disseminates administrative tax policy for the department in numerous ways. The section also researches questions presented by other sections of the department, the Governor's office, and the Legislature. The section is responsible for drafting formal taxpayer rulings and procedures as well as private taxpayer rulings. The section also responds to technical and complex inquiries by telephone and information letters. The section is responsible for maintaining consistency in interpretation of policy and interpretation within the department.

The section reviews and analyzes legislation, assists the department in setting tax policy, and develops and promulgates administrative rules. Additionally, the section provides policy support for the Audit Division and provides guidance and interpretative advice to the audit sections on audit issues and protested cases.

Tax Appeals

The office consists of three appeals sections: Transaction Privilege & Use Tax, Corporate Income Tax and Individual Income Tax.

The Transaction Privilege & Use Tax (TPT) Appeals Section is headed by the TPT Appeals Administrator and assists the Transaction

Privilege and Use Tax Audit Section with case refinement and resolution services at the informal hearing as well as advocating the audit section's position in cases before the State Office of Administrative Hearings, the department's Hearing Office, and the director. The section also assists the Tax Section of the Attorney General's Office with preparation and research of cases being heard before the Board of Tax Appeals, Tax Court and the appellate courts. The administrator of the section acts as the Disclosure Officer for the department.

The Corporate Income Tax Appeals Section reviews cases from the Corporate Income Audit Section and provides case refinement, resolution and advocacy services for those cases. The section works hand-in-hand with the Corporate Audit Section, represents the Corporate Audit Section in informal hearings, before the Hearing Office, and before the director. The section also assists the Tax Section of the Attorney General's Office with preparation and research of cases being heard before the Board of Tax Appeals, Tax Court and the appellate courts. In addition, staff testifies at various levels of the appeals process. The section provides interpretative advice to the Corporate Income Audit staff.

The Individual Income Tax Appeals Section reviews cases from the Individual Income Audit Section and provides case refinement, resolution and advocacy services for those cases, representing the Individual Income Audit Section before the Hearing Office and before the director. The section also provides interpretative advice to the Individual Income Audit Staff. The section also assists the Tax Section of the Attorney General's Office with preparation and research of cases being heard before the Board of Tax Appeals, Tax Court and the appellate courts. In addition, the staff testifies at various levels of the appeals process.

ARIZONA'S TAXES

Revenue Summary (Table 1)

Net Revenue to State General Fund (Table 2)

Gross Collections of Audit Assessments and Delinquent Tax (Table 3)

Transaction Privilege, Use and Severance Tax

Income Tax

Property Tax

TABLE 1
REVENUE SUMMARY
GROSS REVENUE COLLECTED
FISCAL YEAR 2004-05 THROUGH FISCAL YEAR 2008-09

SOURCE	FY2004-05	FY2005-06	FY2006-07	FY2007-08	FY2008-09
TRANSACTION PRIVILEGE USE AND SEVERANCE TAX					
Distribution Base	\$1,504,851,881	\$1,742,272,992	\$1,848,148,565	\$1,788,242,630	\$1,548,202,473
Nonshared Portion	2,871,370,865	3,350,808,572	3,575,743,539	3,448,839,624	2,965,242,162
Use Tax	259,687,993	306,198,808	303,010,863	340,535,252	292,698,574
Education Tax	538,346,435	628,471,192	666,184,022	645,827,821	558,899,709
Undistributed Estimated					
Transaction Privilege Tax	24,907,681	33,445,892	34,613,656	(28,064,558)	(17,219,713)
Other State Revenue	35,242,534	37,070,520	32,316,678	26,543,638	26,453,838
County and City Collections	1,021,007,631	1,237,537,000 (6)	1,430,363,301	1,375,333,407	1,199,517,669
Subtotal	\$6,255,415,018	\$7,335,804,976	\$7,890,380,625	\$7,597,257,813	\$6,573,794,714
INCOME TAX					
Withholding	2,626,264,231	3,041,031,728	3,294,287,540	3,344,770,438	3,092,546,185
Individual	1,128,453,951 (6)	1,631,563,811	1,677,949,795	1,461,050,780	967,788,513
Corporate	789,739,978	978,239,759	1,070,710,516	985,126,064	749,268,088
Subtotal	\$4,544,458,160 (6)	\$5,650,835,298	\$6,042,947,851	\$5,790,947,282	\$4,809,602,786
LUXURY TAX					
Spirituos Liquor	25,085,444	26,392,315	27,674,933	27,613,939	28,341,033
Vinous Liquor	11,473,203	11,509,865	10,755,478	13,006,487	13,006,125
Malt Liquor	22,664,420	23,245,180	24,758,494	23,936,126	22,831,547
Tobacco - All Types (1)	290,503,381	302,040,359 (6)	363,431,607 (4)	412,769,855	380,593,991
Licensing	5,325	5,900	8,100	7,100	7,075
Subtotal	\$349,731,773	\$363,193,619 (6)	\$426,628,612	\$477,333,506	\$444,779,771
ESTATE TAX					
Estate	32,811,705 (7)	13,275,666	860,558	414,711	234,065
Unclaimed Property	83,063,365	69,705,035	97,125,191	136,446,760	74,337,392
Escheated Estates	731,836	562,510	552,507	647,669	643,679
Subtotal	\$116,606,906	\$83,543,211	\$98,538,256	\$137,509,139	\$75,215,136
OTHER REVENUES					
Bingo	610,055	623,480	619,387	558,330	531,588
Flight Property Tax	13,180,039 (5)	13,685,936	15,302,697	13,821,790	11,975,326
Private Car Tax	1,312,163	1,426,435	1,709,362	1,615,246	1,435,069
Nuclear Plan Assessment	1,168,550	1,198,087	1,367,248	1,440,492	0 (8)
Waste Tire	8,164,120	8,477,996	8,967,577	8,704,684	7,890,076
Subtotal	\$24,434,927 (6)	\$25,411,934 (6)	\$27,966,271 (6)	\$26,140,542	\$21,832,059
DEPARTMENT TOTAL	\$11,290,646,784 (6)	\$13,458,789,039 (6)	\$14,486,461,614 (6)	\$14,029,188,283	\$11,925,224,465
State Property Tax (2)	31,300,125	30,298,197	29,906,683	28,558,411	20,174,395
TOTAL (3)	\$11,321,946,909 (6)	\$13,489,087,236 (6)	\$14,516,368,297 (6)	\$14,057,746,694	\$11,945,398,861

(1) Figures represent gross tobacco revenue less administrative expenses.

(2) Property Tax is collected and deposited in the state general fund by counties. This figure includes deposits to the General Fund derived from the minimum Qualifying Tax Rate and taxes collected within Unorganized School Districts.

(3) All revenues collected by the Department of Revenue, including those which are later refunded or distributed, and State Property Tax.

(4) Growth due to increases in tobacco tax rates effective December 2007.

(5) Effective FY05, all Flight Property Tax revenues are transferred to the State Aviation Fund.

(6) Corrected figures.

(7) Arizona's estate tax was effectively repealed January 1, 2005, following the IRS's elimination of the Federal State Death Tax Credit.

(8) Due to an extended legislative session, the Nuclear Assessment bill was not signed in FY09. This amount will be reflected in FY10.

For additional detail on the current year revenue, please refer to the appropriate section within this report.

Figures may not add to total due to rounding.

TABLE 2
NET REVENUE TO STATE GENERAL FUND
FISCAL YEAR 2004-05 THROUGH FISCAL YEAR 2008-09

SOURCE	FY2004-05	FY2005-06	FY2006-07	FY2007-08	FY2008-09
Transaction Privilege, Use, and Severance Tax	\$3,650,082,271	\$4,257,917,335	\$4,516,215,317	\$4,406,139,759	\$3,791,915,770
Undistributed Estimated Transaction Privilege Tax	24,907,681	33,445,892	34,613,656	(28,064,558)	(17,219,713)
Income Tax	3,170,987,163 (2)	4,089,641,855	4,089,906,556	3,506,425,271	2,432,366,069
Luxury Tax	64,446,627	66,732,468	65,808,829	61,037,231	57,878,187
Estate Tax	31,236,067 (3)	11,683,603	(550,764)	320,203	210,372
Unclaimed Property	9,423,140	10,256,152	11,703,745	9,755,359	9,526,605
Bingo	610,055	623,480	619,387	558,330	531,588
Private Car Tax	1,312,163	1,426,435	1,709,362	1,615,246	1,435,069
Nuclear Plan Assessment	1,168,550	1,198,087	1,367,248	1,440,492	0 (4)
Department Total	\$6,954,173,717 (2)	\$8,472,925,307	\$8,721,393,336	\$7,959,227,334	\$6,276,643,947
State Property Tax (1)	31,300,125	30,298,197	29,906,683	28,558,411	20,174,395
TOTAL	\$6,985,473,842 (2)	\$8,503,223,504	\$8,751,300,019	\$7,987,785,745	\$6,296,818,342

(1) Property Tax is not collected by the Department of Revenue. It is deposited in the State General Fund by counties. This figure includes deposits to the General Fund derived from the minimum Qualifying Tax Rate and taxes collected within Unorganized School Districts.

(2) Corrected figures.

(3) Arizona's estate tax was effectively repealed January 1, 2005, following the IRS's elimination of the Federal State Death Tax Credit.

(4) Due to an extended legislative session, the Nuclear Assessment bill was not signed in FY09. This amount will be reflected in FY10.

Figures may not add to total due to rounding.

TABLE 3
GROSS COLLECTIONS OF AUDIT ASSESSMENTS AND DELINQUENT TAX
FISCAL YEAR 2007-08 AND FISCAL YEAR 2008-09

GROSS COLLECTIONS	FY2007-08	FY2008-09	% CHANGE
Collections	\$275,528,300	\$233,436,650	-15.3%
Audit	\$184,263,380	\$177,428,186	-3.7%
Accounts Receivable	\$117,918,382	\$123,026,000	4.3%
TOTAL GROSS COLLECTIONS	\$577,710,062	\$533,890,836	-7.6%
ADJUSTMENTS (1)			
Duplication, Credit Audits and Other Adjustments As Reported	\$21,293,369	\$20,010,122	-6.0%
TOTAL ADJUSTED NET ENFORCEMENT COLLECTIONS (2)	\$556,416,693	\$513,880,714	-7.6%

(1) Audits resulting in credit adjustments are subtracted to produce an actual figure representing the net gain to the state from the Audit Division's efforts.

(2) Actual amounts resulting from the department's enforcement effort.

TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX

MAJOR FEATURES

Arizona's transaction privilege, use and severance taxes are imposed on the privilege of transacting business in the state.

The state tax rates range from 2.5% to 5.6% depending on the type of business, with most rates at 5.6% (*Refer to Table 5*). Gross revenue exceeding \$6.6 billion was remitted by Transaction Privilege, Severance and Use Tax license holders during fiscal year 2009 (*Refer to Table 4*).

SEVERANCE TAX

A severance tax is imposed in lieu of a transaction privilege tax on the businesses of mining metalliferous mineral. The severance rate is 2.5% on mining metalliferous minerals (*Refer to Table 5*).

DISTRIBUTION

The transaction privilege tax creates a tax base that is divided into two parts, distribution base and non-shared. The distribution base portion is divided among municipalities (25%), counties (40.51%), and the state general fund (34.49%). The non-shared portion is deposited directly to the state general fund (*Refer to Tables 7 and 8*). Use tax is deposited only to the state general fund.

USE TAX

A 5.6% use tax is imposed on the purchase price of tangible personal property when a transaction privilege tax equal to or greater than the Arizona rate was not paid. A use tax collection responsibility is imposed on retailers whose activities in the state are insufficient to require them to pay transaction privilege tax but are nonetheless substantial enough to fall outside the protective umbrella of the United States Constitutional provision governing interstate commerce. Firms without nexus may also voluntarily collect use tax for the benefit of their customers.

MUNICIPAL PRIVILEGE AND USE TAX

The department collects transaction privilege and use tax for 76 Arizona cities and towns at no charge to the municipalities. This is a service to the cities and to the taxpaying community who are therefore able to combine their reporting requirements on a single form and payment to a single governmental entity. Weekly distribution checks to the cities are processed after the department collects the local taxes (*Refer to Tables 26 and 27*).

COUNTY TAX AND SURCHARGE COLLECTION

All 15 counties in Arizona levy some type of county tax or surcharge (*Refer to Table 4*). These taxes or surcharges are collected by the department. The rental car surcharge is imposed only in Maricopa and Pima Counties. A tax on hotels located in unincorporated areas of the county is levied in Pima County.

Of the 14 counties with statutory authority to impose a general excise tax, only 13 do so. By statute, Maricopa County may not impose an excise tax. Although subject to voter approval, any county may levy a transportation excise tax or road tax. Only four counties, Gila, Maricopa, Pima, and Pinal, do so.

The other types of county excise tax options are a hospital tax, a jail tax, capital projects, and health services district.

**TABLE 4
GROSS TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS
FISCAL YEAR 2004-05 THROUGH FISCAL YEAR 2008-09**

SOURCE	FY2004-05	FY2005-06	FY2006-07	FY2007-08	FY2008-09
Distribution Base	\$1,504,851,881	\$1,742,272,992	\$1,848,148,565	\$1,788,242,630	\$1,548,202,473
Nonshared	2,871,370,865	3,350,808,572	3,575,743,539	3,448,839,624	2,965,242,162
Use Tax	259,687,993	306,198,808	303,010,863	340,535,252	292,698,574
SUBTOTAL	\$4,635,910,738	\$5,399,280,372	\$5,726,902,967	\$5,577,617,505	\$4,806,143,210
Education Tax	\$538,346,435	\$628,471,192	\$666,184,022	\$645,827,821	\$558,899,709
Undistributed Estimated	24,907,681	33,445,892	34,613,656	(28,064,558)	(17,219,713)
Telecommunications Devices	4,035,765	3,860,508	6,744,231 (2)	6,581,940	6,274,404
Poison Control Fund	1,066,833	1,128,620	-----	-----	-----
School for the Deaf	1,363,179	867,140 (2)	-----	-----	-----
Teratogen Information Program	53,771 (2)	48,678 (2)	-----	-----	-----
911 Excise	26,543,285	28,736,693	23,074,167	17,332,349	17,774,128
Municipal Water	2,156,683	2,403,644	2,449,270	2,550,646	2,375,423
Waste Tire Accounts					
Receivable Collections	23,018	25,238	49,009	78,702	29,883
GROSS STATE COLLECTIONS	\$5,234,407,387	\$6,098,267,976	\$6,460,017,324	\$6,221,924,406	\$5,374,277,044
Municipal Privilege Tax	\$428,527,285	\$551,992,962	\$619,189,088	\$581,066,050	\$506,884,596
Apache County Excise Tax	1,015,316	1,202,364	1,150,488	1,402,145	1,443,180
Cochise County Excise Tax	6,363,569	7,084,178	7,626,330	7,801,411	7,457,788
Coconino County Excise Tax	10,213,403	11,510,952	12,219,377	12,455,849	11,697,597
Coconino County Jail Tax	6,128,614	6,904,220	9,143,351	12,400,413	11,680,202
Coconino County Capitol Projects Tax	2,550,207	2,878,151	3,050,257	3,108,226	2,921,475
Gila County Excise Tax	2,608,771	3,014,729	3,308,376	3,287,537	3,041,923
Gila County Road Tax	2,698,164	3,107,708	3,410,721	3,391,644	3,152,896
Graham County Excise Tax	1,229,557	1,616,224	1,977,017	2,258,906	1,982,088
Greenlee County Excise Tax	803,692	1,062,011	1,052,972	1,641,764	1,553,396
La Paz County Excise Tax	1,011,440	1,147,366	1,168,130	1,122,268	1,027,828
La Paz County Jail Tax	1,011,321	1,147,361	1,167,821	1,122,266	1,027,827
La Paz County Health Services District	1,418	1,124	573	41	61
Maricopa County Road Tax	316,805,562	214,045,397 (1)	1,496,644	715,372	797,117
Maricopa County Road Tax Extension	-----	153,591,999 (1)	390,953,954	379,350,183	327,388,602
Maricopa County Stadium Tax	416	4,796	2,346	884	1,104
Maricopa County Jail Tax	117,322,803	125,919,368	145,445,860	139,699,551	118,527,726
Maricopa County Rental Car Surcharge	6,024,355	6,493,520	6,211,155	6,206,305	5,318,690
Mohave County Excise Tax	6,638,796	7,809,442	7,717,443	7,070,208	6,429,137
Navajo County Excise Tax	5,777,336	6,613,709	6,778,153	7,083,165	6,330,588
Pima County Hotel Tax	2,885,159	6,396,637	8,766,453	8,215,104	6,700,311
Pima County Rental Car Surcharge	1,594,810	1,588,913	1,689,669	1,731,469	1,388,670
Pima County R.V. Surcharge	197,740	213,599	217,530	208,287	167,218
Pima County Road Tax	-----	-----	66,810,147	74,768,398	67,221,351
Pinal County Excise Tax	11,921,052	16,998,069	18,826,280	17,449,950	14,335,789
Pinal County Health Services District	-----	-----	-----	2,319,086 (1)	2,881,911
Pinal County Road Tax	12,173,030	17,279,308	19,177,206	17,856,916	14,830,503
Santa Cruz County Excise Tax	2,583,595	3,130,804	3,458,900	3,267,685	2,961,238
Santa Cruz County Jail Tax	-----	-----	3,111,567	3,241,021	2,951,355
Yavapai County Excise Tax	14,102,433	16,623,589	16,971,697	15,908,075	13,657,537
Yavapai County Jail Tax	7,045,465	8,310,397	8,483,152	7,952,863	6,829,627
Yuma County Excise Tax	10,602,218	11,880,763	12,400,384	12,339,424	11,937,204
Yuma County Jail Tax	10,601,525	11,880,747 (3)	12,401,312	12,338,683	11,937,082
Yuma County Capitol Projects Tax	10,580,860	11,820,404	8,240,159 (1)	49,866	65,276
Yuma County Health Services District	-----	1,811,649 (1)	2,458,301	2,474,852	2,372,996
Tourism/Sports Authority	19,987,721	22,454,539	24,267,403	24,027,540	20,615,783
Additional Distribution	-----	-----	13,085	-----	-----
COUNTY AND CITY COLLECTIONS	\$1,021,007,631	\$1,237,537,000	\$1,430,363,301	\$1,375,333,407	\$1,199,517,669
TOTAL DEPARTMENT OF REVENUE RECEIPTS	\$6,255,415,019	\$7,335,804,975	\$7,890,380,625	\$7,597,257,813	\$6,573,794,714

(1) The tax was in place for only a portion of the fiscal year. This figure does not represent a full year's collection.

(2) The distribution was in place for only a portion of the fiscal year.

(3) Corrected figure

TABLE 5
STATE TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX RATES
FISCAL YEAR 2008-09

TAXABLE ACTIVITIES	DISTRIBUTION BASE	NONSHARED	EDUCATION	TOTAL TAX
1. Transporting and Towing	1.0%	4.0%	0.6%	5.6%
2. Nonmetalliferous Mining, Oil and Gas Production	1.0%	2.125%	0.0%	3.125%
4. Utilities	1.0%	4.0%	0.6%	5.6%
5. Communications	1.0%	4.0%	0.6%	5.6%
6. Railroads and Aircraft	1.0%	4.0%	0.6%	5.6%
7/8. Private Car/Pipelines	1.0%	4.0%	0.6%	5.6%
9. Publishing	1.0%	4.0%	0.6%	5.6%
10. Printing	1.0%	4.0%	0.6%	5.6%
11. Restaurants and Bars	2.0%	3.0%	0.6%	5.6%
12. Amusements	2.0%	3.0%	0.6%	5.6%
14. Personal Property Rentals	2.0%	3.0%	0.6%	5.6%
15. Contracting	1.0%	4.0%	0.6%	5.6%
17. Retail	2.0%	3.0%	0.6%	5.6%
19. Mining Severance	2.0%	0.5%	0.0%	2.5%
25. Hotel/Motel Tax	2.75%	2.75%	0.0%	5.5%
29/30. Use and Use Inventory Tax	0.0%	5.0%	0.6%	5.6%
49. Jet Fuel (per gallon)	\$0.0122	\$0.0183	\$0	\$0.0305
51. Jet Fuel Use (per gallon)	\$0	\$0.0305	\$0	\$0.0305

TABLE 6
NET TAXABLE SALES
BY TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX CLASSIFICATIONS (1)
FISCAL YEAR 2004-05 THROUGH FISCAL YEAR 2008-09

CLASSIFICATION	FY2004-05	% OF TOTAL	FY2005-06	% OF TOTAL	FY2006-07	% OF TOTAL	FY2007-08	% OF TOTAL	FY2008-09	% OF TOTAL
Transporting (4)	\$53,371,189	0.06	\$59,800,611	0.06	\$43,350,656	0.04	\$48,715,871	0.04	\$37,920,229	0.04
Mining, Oil & Gas	317,201,953	0.34	321,538,409	0.30	255,531,207	0.22	216,674,568	0.19	175,743,314	0.18
Mining Severance	656,631,022	0.71	1,219,984,252	1.12	1,743,361,330	1.51	1,752,522,103	1.56	729,481,920	0.76
Utilities	6,828,178,785	7.34	7,679,981,999	7.06	8,609,033,694	7.47	9,237,778,527	8.23	9,236,365,624	9.59
Communications	2,934,857,677	3.15	3,220,061,678	2.96	3,513,667,361	3.05	3,669,682,556	3.27	2,928,433,210	3.04
Private Car and Pipelines	14,832,331	0.02	25,751,236	0.02	19,678,951	0.02	16,021,363	0.01	7,742,692	0.01
Publishing	134,924,680	0.14	133,679,534	0.12	129,680,750	0.11	122,652,124	0.11	102,456,538	0.11
Job Printing	367,010,013	0.39	403,686,091	0.37	397,801,716	0.35	391,037,724	0.35	307,581,474	0.32
Restaurants and Bars	7,939,964,059	8.53	8,933,458,779	8.22	9,619,785,333	8.34	9,663,958,579	8.61	9,094,485,498	9.44
Amusements	872,520,031	0.94	998,766,714	0.92	1,086,363,361	0.94	1,146,344,296	1.02	1,053,047,833	1.09
Commercial Lease (3)	918,894	0.00 (2)	(119,532)	n/a (2)	(1,707)	n/a (2)	(443,473)	n/a (2)	874	n/a (2)
Personal Property Rentals	3,242,363,333	3.48	3,633,373,845	3.34	3,927,824,025	3.41	3,995,696,708	3.56	3,552,696,373	3.69
Contracting	16,044,846,683	17.24	20,487,917,068	18.85	22,415,050,588	19.44	20,156,298,616	17.95	14,882,705,766	15.45
Retail	46,378,344,449	49.83	53,147,971,363	48.89	55,009,403,286	47.72	52,626,992,989	46.86	46,174,068,033	47.94
Hotel/Motel	2,063,973,281	2.22	2,268,775,586	2.09	2,411,634,235	2.09	2,405,704,851	2.14	2,117,241,787	2.20
Rental Occupancy Tax	2,413,680	0.00 (2)	3,471,162	0.00 (2)	1,064,998	0.00 (2)	(2,669,444)	n/a (2)	(24,871)	n/a (2)
Use Tax	5,218,535,456	5.61	6,155,958,934	5.66	6,091,506,625	5.28	6,837,880,265	6.09	5,882,941,979	6.11
Use Tax-Utilities	234,400	0.00 (2)	16,581,719	0.02	12,153,982	0.01	12,461,292	0.01	38,653,312	0.04
Membership Camping	2,896,795	0.00 (2)	2,784,840	0.00 (2)	12,257	0.00 (2)	51,662	0.00 (2)	10,780	0.00 (2)
TOTAL	\$93,074,018,711	100.00	\$108,713,424,289	100.00	\$115,286,902,648	100.00	\$112,297,361,177	100.00	\$96,321,552,366	100.00 (2)

(1) Net taxable sales are based upon tax receipts.

(2) Percent of total is less than 0.01%.

(3) Commercial Lease rate dropped to 0% effective July 1, 1997.

(4) The Transportation/Towing and Railroads/Aircraft business classifications have been combined into one category and renamed Transporting.

Figures may not add to total due to rounding.

TABLE 7
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS BY CLASS
FISCAL YEAR 2008-09

CLASSIFICATION	DISTRIBUTION BASE	NONSHARED	TOTAL COLLECTIONS
Transporting (1)	\$378,714	\$1,514,846	\$1,893,561
Nonmetal Mining, Oil and Gas	1,756,202	3,731,929	5,488,130
Mining Severance	14,568,057	3,642,014	18,210,071
Timbering Severance - Ponderosa (3)	(21)	(5)	(26)
Timbering Severance - Other (3)	(183)	(46)	(229)
Utilities	92,316,593	369,266,372	461,582,965
Communications	29,267,759	117,071,036	146,338,795
Private Car and Pipelines	77,347	309,389	386,736
Publishing	1,023,767	4,095,066	5,118,833
Job Printing	3,074,113	12,296,450	15,370,563
Restaurants and Bars	181,807,086	272,710,629	454,517,715
Amusements	21,050,682	31,576,024	52,626,706
Commercial Lease (2)	15	13	28
Rentals of Personal Property	71,019,007	106,528,511	177,547,519
Contracting	148,720,764	594,883,057	743,603,821
Retail	922,976,827	1,384,463,300	2,307,440,126
Hotel/Motel	58,201,961	58,201,961	116,403,922
Rental Occupancy Tax (3)	2,046	1,008	3,054
Use Tax Utilities	386,525	1,546,099	1,932,624
Use Tax	0	292,698,574	292,698,574
License Fees	0	469,904	469,904
Membership Camping (3)	202	303	505
Jet Fuel Tax	1,616,652	2,424,978	4,041,630
Jet Fuel Use Tax	0	679,816	679,816
Non Sufficient Funds	0	(3,928)	(3,928)
Telecommunications Service Assistance	(41,641)	(166,563)	(208,203)
TOTAL	\$1,548,202,473	\$3,257,940,737	\$4,806,143,210

(1) Transporting/Towing has been combined with Railroads/Aircraft for confidentiality purposes.

(2) Commercial Lease rate dropped to 0% effective July 1, 1997.

(3) Effective November 1, 2006, these rates were repealed.

Figures may not add to total due to rounding.

**TABLE 8
DISTRIBUTION OF TRANSACTION PRIVILEGE, USE
AND SEVERANCE TAX COLLECTIONS
FISCAL YEAR 2008-09**

Net Regular to State General Fund	\$3,791,915,770
Net Estimated Payments to General Fund	(17,219,713)
Net to Cities	387,050,618
Net to Counties	627,176,822
Net to Education Fund	558,899,709
911 Wireline/Excise, 911 Wireless, Telecommunications devices, Municipal Water, and Waste Tire Accounts Receivable Collections	26,453,838
TOTAL GROSS COLLECTIONS	\$5,374,277,044

**ADDITIONAL DISTRIBUTION FROM
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS
FISCAL YEAR 2008-09**

Phoenix International Raceway - Bridge Construction	\$416,667
Phoenix International Raceway - Highway Improvements	\$416,667
Rio Nuevo	\$10,399,336
Sports and Tourism Authority	\$5,332,459
Tribal Community Colleges	\$1,723,690

Figures may not add total due to rounding.

TABLE 9
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)
IN APACHE COUNTY FOR THE PERIOD BEGINNING
JULY 1, 2008 AND ENDING JUNE 30, 2009

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2007-08	COLLECTIONS
Utilities	\$14,000,317	5.2%	\$700,016
Communications	13,271,334	-24.3%	663,567
Publishing	367,760	NA	18,388
Job Printing	61,012	-59.7%	3,051
Restaurants and Bars	12,264,779	17.2%	613,239
Rentals of Personal Property	9,113,078	26.0%	455,654
Contracting (All)	106,091,875	16.4%	5,304,594
Retail	102,549,932	-10.5%	5,127,497
Hotel/Motel	15,881,417	24.5%	873,478
Other Taxable Activities (2)	108,282,380	-1.0%	5,064,833
TOTAL	\$381,883,883	1.4%	\$18,824,315

NUMBER OF ACCOUNTS
FISCAL YEAR 2006-07 THROUGH FISCAL YEAR 2008-09

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2006-07	FY2007-08	FY2008-09
Utilities	24	26	24
Communications	142	123	115
Publishing			12
Job Printing	12	12	10
Restaurants and Bars	71	74	65
Amusements	15	9	11
Rentals of Personal Property	171	181	176
Contracting (All)	471	477	472
Retail	1,297	1,307	1,349
Hotel/Motel	59	60	58
Other Taxable Activities	878	918	949
TOTAL	3,140	3,187	3,241

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

(2) For FY09, different categories have been classified under Other Taxable Activities compared to FY08.

Figures may not add to total due to rounding.

TABLE 10
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)
IN COCHISE COUNTY FOR THE PERIOD BEGINNING
JULY 1, 2008 AND ENDING JUNE 30, 2009

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2007-08	COLLECTIONS
Utilities	\$170,888,577	-5.1%	\$8,544,429
Communications	54,466,452	-1.8%	2,723,323
Publishing	933,639	-18.3%	46,682
Restaurants and Bars	126,759,340	-1.0%	6,337,967
Amusements	6,494,308	17.4%	324,715
Rentals of Personal			
Property	38,433,833	36.1%	1,921,692
Contracting (All)	271,922,947	-11.9%	13,596,147
Retail	762,193,221	-4.8%	38,109,661
Hotel/Motel	44,329,028	0.9%	2,438,097
Other Taxable Activities	89,922,635	4.7%	4,434,319
TOTAL	\$1,566,343,980	-4.4%	\$78,477,031

NUMBER OF ACCOUNTS
FISCAL YEAR 2006-07 THROUGH FISCAL YEAR 2008-09

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2006-07	FY2007-08	FY2008-09
Utilities	55	53	57
Communications	211	198	208
Publishing	25	20	14
Restaurants and Bars	351	353	339
Amusements	58	62	63
Rentals of Personal			
Property	403	381	392
Contracting (All)	1,201	1,240	1,179
Retail	3,580	3,541	3,437
Hotel/Motel	151	152	154
Other Taxable Activities	1,472	1,521	1,528
TOTAL	7,507	7,521	7,371

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

Figures may not add to total due to rounding.

TABLE 11
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)
IN COCONINO COUNTY FOR THE PERIOD BEGINNING
JULY 1, 2008 AND ENDING JUNE 30, 2009

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2007-08	COLLECTIONS
Utilities	\$169,662,843	3.5%	\$8,483,142
Communications	53,407,647	-36.9%	2,670,382
Publishing	1,641,960	-21.0%	82,098
Job Printing	1,752,238	-24.6%	87,612
Restaurants and Bars	330,794,121	-3.6%	16,539,706
Amusements	65,904,540	-5.6%	3,295,227
Rentals of Personal Property	64,701,031	-17.8%	3,235,052
Contracting (All)	366,981,771	-13.4%	18,349,089
Retail	1,004,984,869	-4.6%	50,249,243
Hotel/Motel	241,248,259	4.2%	13,268,654
Other Taxable Activities	112,961,028	-5.4%	5,533,109
TOTAL	\$2,414,040,306	-6.2%	\$121,793,314

NUMBER OF ACCOUNTS
FISCAL YEAR 2006-07 THROUGH FISCAL YEAR 2008-09

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2006-07	FY2007-08	FY2008-09
Utilities	36	42	43
Communications	259	234	229
Publishing	30	30	31
Job Printing	43	42	45
Restaurants and Bars	467	475	468
Amusements	99	87	99
Rentals of Personal Property	501	489	504
Contracting (All)	1,915	1,957	1,826
Retail	4,413	4,343	4,352
Hotel/Motel	257	245	252
Other Taxable Activities	1,841	1,874	1,876
TOTAL	9,861	9,818	9,725

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

Figures may not add to total due to rounding.

TABLE 12
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)
IN GILA COUNTY FOR THE PERIOD BEGINNING
JULY 1, 2008 AND ENDING JUNE 30, 2009

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2007-08	COLLECTIONS
Utilities	\$122,922,608	4.1%	\$6,146,130
Communications	15,155,234	-40.3%	757,762
Publishing	639,842	-11.2%	31,992
Job Printing	417,621	-5.2%	20,881
Restaurants and Bars	57,429,475	-1.9%	2,871,474
Amusements	1,267,442	-22.7%	63,372
Rentals of Personal Property	18,108,282	37.0%	905,414
Contracting (All)	98,539,937	-12.3%	4,926,997
Retail	276,550,207	-10.3%	13,827,510
Hotel/Motel	11,665,935	-8.4%	641,626
Other Taxable Activities	69,000,844	-32.2%	2,631,256
TOTAL	\$671,697,427	-10.8%	\$32,824,415

NUMBER OF ACCOUNTS
FISCAL YEAR 2006-076 THROUGH FISCAL YEAR 2008-09

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2006-07	FY2007-08	FY2008-09
Utilities	32	32	37
Communications	189	161	167
Publishing	16	15	17
Job Printing	17	18	20
Restaurants and Bars	188	184	171
Amusements	30	30	34
Rentals of Personal Property	277	281	277
Contracting (All)	923	948	841
Retail	2,116	2,095	2,107
Hotel/Motel	72	69	63
Other Taxable Activities	943	1,034	1,018
TOTAL	4,803	4,867	4,752

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

Figures may not add to total due to rounding.

TABLE 13
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)
IN GRAHAM COUNTY FOR THE PERIOD BEGINNING
JULY 1, 2008 AND ENDING JUNE 30, 2009

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2007-08	COLLECTIONS
Communications	\$13,182,549	-9.1%	\$659,127
Publishing	233,048	NA	\$11,652
Restaurants and Bars	25,078,043	-6.3%	1,253,902
Amusements	1,210,758	NA	60,538
Rentals of Personal Property	15,361,599	-23.9%	768,080
Contracting (All)	64,719,943	0.9%	3,235,997
Retail	216,876,711	-17.6%	10,843,836
Other Taxable Activities (2)	103,111,187	33.9%	4,408,748
TOTAL	\$439,773,838	-5.6%	\$21,241,880

NUMBER OF ACCOUNTS
FISCAL YEAR 2006-07 THROUGH FISCAL YEAR 2008-09

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2006-07	FY2007-08	FY2008-09
Communications	141	119	118
Publishing			12
Restaurants and Bars	60	61	67
Amusements			12
Rentals of Personal Property	164	161	167
Contracting (All)	334	406	401
Retail	1,230	1,275	1,283
Other Taxable Activities	727	819	823
TOTAL	2,656	2,841	2,883

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

(2) For FY09, fewer categories have been classified under the Other Taxable Activities compared to FY08.

Figures may not add to total due to rounding.

TABLE 14
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)
IN GREENLEE COUNTY FOR THE PERIOD BEGINNING
JULY 1, 2008 AND ENDING JUNE 30, 2009

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2007-08	COLLECTIONS
Communications	\$3,218,096	-13.3%	\$160,905
Publishing	\$32,138	NA	\$1,607
Restaurants and Bars	5,306,291	5.0%	265,315
Rentals of Personal			
Property	1,884,414	8.6%	94,221
Contracting (All)	56,286,439	-31.0%	2,814,322
Retail	166,246,704	13.2%	8,312,335
Other Taxable Activities (2)	270,674,058	-64.4%	9,180,253
TOTAL	\$503,648,138	-49.6%	\$20,828,957

NUMBER OF ACCOUNTS
FISCAL YEAR 2006-07 THROUGH FISCAL YEAR 2008-09

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2006-07	FY2007-08	FY2008-09
Communications	89	76	80
Publishing		11	7
Restaurants and Bars	25	26	29
Rentals of Personal			
Property	72	71	71
Contracting (All)	111	137	147
Retail	498	516	500
Other Taxable Activities	362	399	386
TOTAL	1,157	1,236	1,220

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

(2) For FY09, fewer categories have been classified under Other Taxable Activities compared to FY08.

Figures may not add to total due to rounding.

TABLE 15
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)
IN LA PAZ COUNTY FOR THE PERIOD BEGINNING
JULY 1, 2008 AND ENDING JUNE 30, 2009

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2007-08	COLLECTIONS
Utilities	\$23,582,713	3.8%	\$1,179,136
Communications	4,070,141	-46.2%	203,507
Restaurants and Bars	26,341,535	-3.1%	1,317,077
Amusements	165,983	-5.6%	8,299
Rentals of Personal			
Property	2,746,174	-3.1%	137,309
Contracting (All)	27,677,692	-16.1%	1,383,885
Retail	115,922,212	-6.2%	5,796,111
Hotel/Motel	5,486,023	-7.8%	301,731
Other Taxable Activities (2)	9,924,539	30.8%	480,079
TOTAL	\$215,917,013	-6.4%	\$10,807,132

NUMBER OF ACCOUNTS
FISCAL YEAR 2006-07 THROUGH FISCAL YEAR 2008-09

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2006-07	FY2007-08	FY2008-09
Utilities	18	16	19
Communications	127	107	122
Restaurants and Bars	102	114	104
Amusements	10	17	10
Rentals of Personal			
Property	167	170	152
Contracting (All)	350	347	328
Retail	1,864	1,777	1,681
Hotel/Motel	57	50	48
Other Taxable Activities	609	630	628
TOTAL	3,304	3,228	3,092

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included

(2) For FY09, more categories have been classified under Other Taxable Activities compared to FY08.

Figures may not add to total due to rounding.

TABLE 16
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)
IN MARICOPA COUNTY FOR THE PERIOD BEGINNING
JULY 1, 2008 AND ENDING JUNE 30, 2009

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2007-08	COLLECTIONS
Utilities	\$5,702,605,073	-0.4%	\$285,130,254
Communications	1,961,000,569	-20.6%	98,050,028
Publishing	73,927,376	-13.9%	3,696,369
Job Printing	247,041,837	-22.3%	12,352,092
Restaurants and Bars	6,116,817,901	-6.8%	305,840,895
Amusements	772,302,945	-9.5%	38,615,147
Rentals of Personal			
Property	2,693,780,579	-11.6%	134,689,029
Contracting (All)	9,408,740,947	-29.3%	470,437,047
Retail	30,718,555,117	-13.7%	1,535,927,756
Hotel/Motel	1,240,342,987	-16.7%	68,218,864
Other Taxable Activities	4,581,867,474	-15.4%	228,244,486
TOTAL	\$63,516,982,805	-15.2%	\$3,181,201,967

NUMBER OF ACCOUNTS
FISCAL YEAR 2006-07 THROUGH FISCAL YEAR 2008-09

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2006-07	FY2007-08	FY2008-09
Utilities	143	144	144
Communications	687	654	608
Publishing	314	306	285
Job Printing	940	921	905
Restaurants and Bars	6,584	6,759	6,458
Amusements	720	752	732
Rentals of Personal			
Property	3,035	3,057	3,055
Contracting (All)	16,516	16,546	15,341
Retail	49,535	49,466	46,571
Hotel/Motel	640	663	648
Other Taxable Activities	11,920	11,441	10,676
TOTAL	91,034	90,709	85,423

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

Figures may not add to total due to rounding.

TABLE 17
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)
IN MOHAVE COUNTY FOR THE PERIOD BEGINNING
JULY 1, 2008 AND ENDING JUNE 30, 2009

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2007-08	COLLECTIONS
Utilities	\$503,091,711	4.2%	\$25,154,586
Communications	90,162,049	-3.7%	4,508,102
Publishing	1,312,923	-45.4%	65,646
Job Printing	5,735,501	8.9%	286,775
Restaurants and Bars	199,149,089	-7.8%	9,957,454
Amusements	16,559,151	-0.6%	827,958
Rentals of Personal Property	80,668,548	0.8%	4,033,427
Contracting (All)	393,655,801	-19.7%	19,683,316
Retail	1,208,610,761	-11.9%	60,430,538
Hotel/Motel	40,967,335	-12.7%	2,253,203
Other Taxable Activities	133,823,810	-4.7%	6,151,984
TOTAL	\$2,673,736,679	-9.2%	\$133,352,990

NUMBER OF ACCOUNTS
FISCAL YEAR 2006-07 THROUGH FISCAL YEAR 2008-09

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2006-07	FY2007-08	FY2008-09
Utilities	51	49	58
Communications	202	187	186
Publishing	27	28	24
Job Printing	35	36	46
Restaurants and Bars	446	445	443
Amusements	60	74	76
Rentals of Personal Property	540	539	514
Contracting (All)	2,178	2,014	1,686
Retail	4,990	4,885	4,706
Hotel/Motel	164	152	154
Other Taxable Activities	1,925	1,921	1,909
TOTAL	10,618	10,330	9,802

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

Figures may not add to total due to rounding.

TABLE 18
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)
IN NAVAJO COUNTY FOR THE PERIOD BEGINNING
JULY 1, 2008 AND ENDING JUNE 30, 2009

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2007-08	COLLECTIONS
Utilities	\$94,566,702	2.5%	\$4,728,335
Communications	29,730,194	-25.9%	1,486,510
Publishing	692,824	-39.0%	34,641
Restaurants and Bars	91,484,853	-4.3%	4,574,243
Rentals of Personal Property	30,779,182	-17.5%	1,538,959
Contracting (All)	170,491,505	-39.0%	8,524,575
Retail	788,925,825	-3.6%	39,446,291
Hotel/Motel	38,088,204	9.6%	2,094,851
Other Taxable Activities	60,825,610	-14.6%	2,983,233
TOTAL	\$1,305,584,897	-11.2%	\$65,411,638

NUMBER OF ACCOUNTS
FISCAL YEAR 2006-07 THROUGH FISCAL YEAR 2008-09

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2006-07	FY2007-08	FY2008-09
Utilities	41	38	39
Communications	184	163	158
Publishing	14	19	22
Restaurants and Bars	233	235	210
Amusements	45	44	39
Rentals of Personal Property	319	299	308
Contracting (All)	1,191	1,199	1,073
Retail	2,665	2,691	2,610
Hotel/Motel	151	151	153
Other Taxable Activities	1,181	1,234	1,227
TOTAL	6,024	6,073	5,839

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

Figures may not add to total due to rounding.

TABLE 19
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)
IN PIMA COUNTY FOR THE PERIOD BEGINNING
JULY 1, 2008 AND ENDING JUNE 30, 2009

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2007-08	COLLECTIONS
Utilities	\$1,268,702,647	-1.7%	\$63,435,132
Communications	421,206,225	-12.2%	21,060,311
Publishing	13,606,399	-23.1%	680,320
Job Printing	40,064,012	-16.0%	2,003,201
Restaurants and Bars	1,390,140,645	-4.2%	69,507,032
Amusements	100,046,293	-10.7%	5,002,315
Rentals of Personal			
Property	401,340,538	-13.9%	20,067,027
Contracting (All)	1,940,581,602	-15.2%	97,029,080
Retail	6,759,490,548	-11.7%	337,974,527
Hotel/Motel	294,701,905	-7.7%	16,208,605
Other Taxable Activities	860,034,315	-30.8%	35,781,609
TOTAL	\$13,489,915,130	-12.2%	\$668,749,160

NUMBER OF ACCOUNTS
FISCAL YEAR 2006-07 THROUGH FISCAL YEAR 2008-09

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2006-07	FY2007-08	FY2008-09
Utilities	77	79	90
Communications	326	316	325
Publishing	86	84	74
Job Printing	165	171	167
Restaurants and Bars	1,692	1,703	1,678
Amusements	220	213	210
Rentals of Personal			
Property	1,154	1,143	1,145
Contracting (All)	5,111	5,278	4,983
Retail	15,091	14,988	14,306
Hotel/Motel	276	273	261
Other Taxable Activities	4,232	4,122	4,008
TOTAL	28,430	28,370	27,247

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

Figures may not add to total due to rounding.

TABLE 20
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)
IN PINAL COUNTY FOR THE PERIOD BEGINNING
JULY 1, 2008 AND ENDING JUNE 30, 2009

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2007-08	COLLECTIONS
Utilities	\$397,988,651	1.6%	\$19,899,433
Communications	113,568,634	-27.7%	5,678,432
Publishing	3,640,797	0.8%	182,040
Job Printing	1,363,437	-6.1%	68,172
Restaurants and Bars	205,246,659	1.1%	10,262,333
Amusements	33,484,213	19.3%	1,674,211
Rentals of Personal			
Property	57,680,949	-7.8%	2,884,047
Contracting (All)	885,557,492	-39.4%	44,277,875
Retail	1,117,668,781	0.4%	55,883,439
Hotel/Motel	20,554,698	-12.6%	1,130,508
Other Taxable Activities	274,990,972	-33.5%	11,645,505
TOTAL	\$3,111,745,284	-19.4%	\$153,585,994

NUMBER OF ACCOUNTS
FISCAL YEAR 2006-07 THROUGH FISCAL YEAR 2008-09

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2006-07	FY2007-08	FY2008-09
Utilities	67	70	64
Communications	261	236	227
Publishing	27	28	24
Job Printing	35	33	36
Restaurants and Bars	405	435	433
Amusements	101	101	98
Rentals of Personal			
Property	519	505	506
Contracting (All)	2,968	3,077	2,887
Retail	4,530	4,711	4,676
Hotel/Motel	108	109	106
Other Taxable Activities	1,669	1,773	1,756
TOTAL	10,690	11,078	10,813

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

Figures may not add to total due to rounding.

TABLE 21
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)
IN SANTA CRUZ COUNTY FOR THE PERIOD BEGINNING
JULY 1, 2008 AND ENDING JUNE 30, 2009

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2007-08	COLLECTIONS
Utilities	\$60,817,990	37.3%	\$3,040,899
Communications	26,431,408	-10.9%	1,321,570
Job Printing	524,295	-19.2%	26,215
Restaurants and Bars	42,844,024	-14.6%	2,142,201
Amusements	5,120,375	-20.9%	256,019
Rentals of Personal Property	11,119,153	-2.3%	555,958
Contracting (All)	108,068,826	7.3%	5,403,441
Retail	326,749,698	-16.0%	16,337,485
Hotel/Motel	11,771,411	-28.5%	647,428
Other Taxable Activities	19,364,680	-11.4%	968,169
TOTAL	\$612,811,861	-8.6%	\$30,699,385

NUMBER OF ACCOUNTS
FISCAL YEAR 2006-07 THROUGH FISCAL YEAR 2008-09

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2006-07	FY2007-08	FY2008-09
Utilities	18	16	20
Communications	165	146	136
Job Printing	13	11	12
Restaurants and Bars	144	158	137
Amusements	20	24	21
Rentals of Personal Property	247	252	244
Contracting (All)	652	672	633
Retail	1,933	1,996	1,889
Hotel/Motel	37	38	39
Other Taxable Activities	842	902	902
TOTAL	4,071	4,215	4,033

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

Figures may not add to total due to rounding.

TABLE 22
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)
IN YAVAPAI COUNTY FOR THE PERIOD BEGINNING
JULY 1, 2008 AND ENDING JUNE 30, 2009

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2007-08	COLLECTIONS
Utilities	\$310,374,268	-0.6%	\$15,518,713
Communications	75,164,557	-34.0%	3,758,228
Publishing	3,136,632		156,832
Job Printing	5,290,199	-29.5%	264,510
Restaurants and Bars	263,166,643	-6.1%	13,158,332
Amusements	28,058,921	-10.2%	1,402,946
Rentals of Personal			
Property	61,598,304	-5.3%	3,079,915
Contracting (All)	516,832,244	-23.5%	25,841,612
Retail	1,340,412,430	-12.9%	67,020,621
Hotel/Motel	93,909,743	-14.3%	5,165,036
Other Taxable Activities (2)	259,842,723	-33.8%	8,795,475
TOTAL	\$2,957,786,664	-16.1%	\$144,162,221

NUMBER OF ACCOUNTS
FISCAL YEAR 2006-07 THROUGH FISCAL YEAR 2008-09

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2006-07	FY2007-08	FY2008-09
Utilities	70	74	77
Communications	256	231	227
Publishing	52	54	44
Job Printing	60	65	67
Restaurants and Bars	635	643	641
Amusements	93	100	100
Rentals of Personal			
Property	551	519	537
Contracting (All)	3,149	3,066	2,756
Retail	6,322	6,320	6,193
Hotel/Motel	180	188	202
Other Taxable Activities	1,965	2,009	1,968
TOTAL	13,333	13,269	12,812

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

(2) For FY09, fewer categories have been classified under Other Taxable Activities compared to FY08.

Figures may not add to total due to rounding.

TABLE 23
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)
IN YUMA COUNTY FOR THE PERIOD BEGINNING
JULY 1, 2008 AND ENDING JUNE 30, 2009

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2007-08	COLLECTIONS
Utilities	\$260,693,201	1.0%	\$13,034,660
Communications	54,398,123	-30.3%	2,719,906
Restaurants and Bars	201,662,098	-0.5%	10,083,105
Amusements	15,200,914	12.2%	760,046
Rentals of Personal			
Property	65,380,708	-9.2%	3,269,035
Contracting (All)	466,556,746	8.5%	23,327,837
Retail	1,268,331,017	-5.4%	63,416,551
Hotel/Motel	50,298,078	0.4%	2,766,394
Other Taxable Activities	77,163,577	-14.2%	3,794,664
TOTAL	\$2,459,684,462	-3.0%	\$123,172,198

NUMBER OF ACCOUNTS
FISCAL YEAR 2006-07 THROUGH FISCAL YEAR 2008-09

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2006-07	FY2007-08	FY2008-09
Utilities	37	36	40
Communications	216	199	202
Restaurants and Bars	348	340	356
Amusements	42	46	46
Rentals of Personal			
Property	469	473	446
Contracting (All)	1,084	1,042	1,018
Retail	3,784	3,762	3,651
Hotel/Motel	99	104	112
Other Taxable Activities	1,583	1,611	1,629
TOTAL	7,662	7,613	7,500

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

Figures may not add to total due to rounding.

TABLE 24
STATE TRANSACTION PRIVILEGE AND SEVERANCE TAX
DISTRIBUTION TO COUNTIES
FISCAL YEAR 2004-05 THROUGH FISCAL YEAR 2008-09

COUNTY	FY2004-05	FY2005-06	FY2006-07	FY2007-08	FY2008-09	% CHANGE FROM FY 2007-08
Apache	\$4,542,978	\$5,213,591	\$5,021,042	\$5,074,805	\$4,487,263	-11.6%
Cochise	10,852,890	12,250,317	13,078,428	12,547,126	11,305,289	-9.9%
Coconino	15,127,441	16,990,411	17,652,655	17,161,720	15,301,303	-10.8%
Gila	4,600,625	5,347,259	5,375,594	5,370,720	4,696,318	-12.6%
Graham	2,735,648	3,257,813	3,419,080	3,551,781	3,146,715	-11.4%
Greenlee	2,511,678	3,918,655	5,112,364	4,893,205	3,078,106	-37.1%
La Paz	1,824,245	2,050,126	2,027,860	1,962,689	1,742,796	-11.2%
Maricopa	392,415,261	453,769,970	480,738,808	465,016,355	400,099,771	-14.0%
Mohave	17,231,461	20,349,087	22,051,895	21,046,522	19,087,627	-9.3%
Navajo	9,440,461	10,785,151	10,999,752	10,977,266	9,747,301	-11.2%
Pima	90,284,731	102,619,310	106,931,317	104,069,379	90,391,382	-13.1%
Pinal	16,911,027	21,298,154	25,221,897	24,071,466	20,740,073	-13.8%
Santa Cruz	3,949,677	4,604,423	4,919,731	4,703,843	4,101,137	-12.8%
Yavapai	21,183,714	25,131,601	26,858,064	25,136,960	22,136,382	-11.9%
Yuma	16,003,660	18,208,919	19,276,498	18,833,253	17,115,359	-9.1%
Additional Distribution	-----	-----	7,612	-----	-----	
	\$609,615,497	\$705,794,789	\$748,692,595	\$724,417,089	\$627,176,822	-13.4%

Figures may not add to totals due to rounding.

**TABLE 25
STATE TRANSACTION PRIVILEGE AND SEVERANCE TAX
DISTRIBUTION TO MUNICIPALITIES
FISCAL YEAR 2008-09**

CITIES	AMOUNT	COUNTY TOTAL	CITIES	AMOUNT	COUNTY TOTAL
APACHE					
Eagar	\$352,863		Scottsdale	\$18,677,613	
Springerville	164,298		Surprise	7,022,643	
St. Johns	307,512	\$824,673	Tempe	13,191,255	
COCHISE			Tolleson	517,001	
Benson	\$377,129		Wickenburg	483,505	
Bisbee	522,730		Youngtown	490,348	\$275,980,754
Douglas	1,368,088		MOHAVE		
Huachuca City	145,601		Bullhead City	\$3,040,108	
Sierra Vista	3,476,115		Colorado City	324,618	
Tombstone	128,097		Kingman	2,057,503	
Willcox	309,103	\$6,326,863	Lake Havasu City	4,251,458	\$9,673,687
COCONINO			NAVAJO		
Flagstaff	\$4,868,072		Holbrook	\$431,630	
Fredonia	88,315		Pinetop-Lakeside	331,381	
Page	565,694		Show Low	786,482	
Williams	250,226	\$5,772,308	Snowflake	392,644	
GILA			Taylor	326,209	
Globe	\$596,326		Winslow	782,504	\$3,050,850
Hayden	70,970		PIMA		
Miami	155,546		Marana	\$2,126,326	
Payson	1,227,660		Oro Valley	3,134,789	
Star Valley	159,604		Sahuarita	1,113,089	
Winkelman	35,246	\$2,245,352	South Tucson	447,941	
GRAHAM			Tucson	42,150,179	\$48,972,323
Pima	\$173,607		PINAL		
Safford	744,711		Apache Junction	\$2,710,717	
Thatcher	362,012	\$1,280,331	Casa Grande	2,583,416	
GREENLEE			Coolidge	650,827	
Clifton	\$206,546		Eloy	885,140	
Duncan	64,605	\$271,151	Florence	1,633,432	
LA PAZ			Kearny	178,937	
Parker	\$260,967		Mammoth	140,190	
Quartzsite	286,428	\$547,395	Maricopa	1,267,759	
MARICOPA			Superior	258,899	\$10,309,318
Avondale	\$5,518,183		SANTA CRUZ		
Buckeye	2,021,382		Nogales	\$1,736,864	
Carefree	293,111		Patagonia	73,198	\$1,810,062
Cave Creek	379,198		YAVAPAI		
Chandler	18,366,759		Camp Verde	\$853,713	
El Mirage	2,550,875		Chino Valley	980,616	
Fountain Hills	1,948,661		Clarkdale	292,793	
Gila Bend	157,535		Cottonwood	864,056	
Gilbert	14,125,962		Dewey-Humboldt	320,640	
Glendale	19,283,645		Jerome	26,256	
Goodyear	3,676,853		Prescott	3,243,790	
Guadalupe	441,973		Prescott Valley	2,671,333	
Litchfield Park	360,262		Sedona	870,023	\$10,123,220
Mesa	35,651,937		YUMA		
Paradise Valley	1,102,984		San Luis	\$1,824,384	
Peoria	10,991,095		Somerton	775,741	
Phoenix	117,422,026		Wellton	156,740	
Queen Creek	1,305,950		Yuma	7,105,468	\$9,862,332
			TOTAL	\$387,050,618	\$387,050,618

City Distributions are based on relative population.
Figures may not add to total due to rounding.

TABLE 26
MUNICIPAL PRIVILEGE TAX COLLECTION PROGRAM
COLLECTIONS BY CITY
FISCAL YEAR 2008-09

CITY	RATE (1) (PERCENT)	COLLECTIONS	CITY	RATE (1) (PERCENT)	COLLECTIONS
Apache Junction (2)	2.2*	\$31,583	Maricopa	2.0*	\$10,289,241
Benson	2.5*	3,413,832	Miami	2.5*	373,342
Bisbee	2.5*	1,806,895	Oro Valley	2.0*	15,198,395
Buckeye	2.0*	14,446,262	Page	3.0*	7,121,927
Bullhead City (3)	2.0*	8,254,958	Paradise Valley	1.65*	9,379,402
Camp Verde	2.0*	2,258,547	Parker	2.0*	1,241,277
Carefree	3.0*	3,057,987	Patagonia	3.0*	226,350
Casa Grande	1.8*	24,261,660	Payson	2.12*	6,719,052
Cave Creek	2.5*	3,624,080	Pima	2.0*	596,856
Chino Valley	3.0*	4,432,142	Pinetop-Lakeside	2.5*	3,576,365
Clarkdale	2.25*	783,370	Prescott Valley	2.33*	11,112,432
Clifton	3.0*	512,826	Quartzsite	2.5*	1,048,709
Colorado City	2.0*	267,573	Queen Creek	2.25*	14,102,148
Coolidge	3.0*	4,857,454	Safford	2.5*	6,289,947
Cottonwood	3.0*	10,444,833	Sahuarita	2.0*	9,010,775
Dewey-Humboldt	1.0*	239,424	Saint Johns	2.0*	587,314
Douglas	2.8*	5,880,864	San Luis	4.0*	7,127,564
Duncan	2.0	109,790	Sedona	3.0*	13,532,680
Eagar	3.0*	932,129	Show Low	2.0	9,038,612
El Mirage	3.0*	5,884,878	Sierra Vista	1.75*	17,433,009
Eloy	3.0*	6,446,586	Snowflake	2.0*	1,139,679
Florence	2.0*	4,501,626	Somerton	2.5*	993,655
Fountain Hills	2.6*	8,740,325	South Tucson	2.5*	2,007,710
Fredonia	4.0*	237,570	Springerville	3.0*	1,933,014
Gila Bend	3.0*	1,450,378	Star Valley	2.0*	375,157
Gilbert	1.5*	48,643,087	Superior	2.0*	327,812
Globe	2.0*	3,841,290	Surprise	2.2*	32,936,640
Goodyear	2.0*	34,423,869	Taylor	2.0*	881,314
Guadalupe	3.0*	1,221,585	Thatcher	2.0*	2,210,494
Hayden	3.0*	1,568,049	Tolleson	2.5*	8,398,973
Holbrook	3.0*	2,724,162	Tombstone	2.5*	684,558
Huachuca City	1.5*	135,964	Wellton	2.5*	797,920
Jerome	3.0	476,881	Wickenburg	1.7*	3,081,542
Kearny	2.5*	299,383	Willcox	3.0*	2,554,714
Kingman	2.0*	12,024,408	Williams	3.0*	4,074,199
Lake Havasu City	2.0*	14,959,248	Winkelman	3.5*	89,406
Litchfield Park	2.8*	3,003,188	Winslow	3.0*	4,425,999
Mammoth	2.0*	83,468	Youngtown	3.0*	1,093,667
Marana	2.0*	22,359,110	Yuma	1.7	32,231,481
TOTAL					\$506,884,596

* Jurisdiction levied at more than one rate during the fiscal year. Rate shown is the rate charged on most transactions.

(1) Rate shown is effective January 1, 2009 and may have changed during the remainder of FY 09.

(2) Effective July 1, 2007, Apache Junction no longer participates in the municipal privilege tax collection program. Collections shown are from periods prior to July 1, 2007.

(3) Effective March 1, 2009, Bullhead City no longer participates in the municipal privilege tax collection program. Collections shown include up to March 1, 2009, as well as periods prior to March 1, 2009.

Figures may not add to total due to rounding.

TABLE 27
MUNICIPAL PRIVILEGE TAX COLLECTION PROGRAM
FISCAL YEAR 2004-05 THROUGH FISCAL YEAR 2008-09

FISCAL YEAR	TOTAL COLLECTIONS	NUMBER OF CITIES IN PROGRAM
2004-05	\$428,527,285	77
2005-06	\$551,992,962	78
2006-07	\$619,189,088	78
2007-08	\$581,066,050	77
2008-09	\$506,884,596	76

INCOME TAX

The State of Arizona imposes two types of income tax: corporate, which applies to incorporated businesses and certain other entities operating in this state; and individual, which is levied upon those persons who reside in or earn income in the state (*Refer to Table 28*).

CORPORATE INCOME TAX

MAJOR FEATURES

Every corporation doing business in Arizona is required to file a corporate income tax return. Corporations filed returns with the state and made payments of \$592 million during fiscal year 2009 (*Refer to Table 28*).

INDIVIDUAL INCOME TAX

MAJOR FEATURES

For tax year 2006 filed in 2007, approximately 2.5 million individual filers reported Arizona gross income (defined as federal adjusted gross income) totaling more than \$146.8 billion. Individuals with Arizona gross income of more than \$75,000, in the preceding or current year, are required to file Arizona estimated tax payments. An individual can apply any portion of an income tax refund toward the following year's income tax as an estimated payment.

The graduated rate structure for the 2007 tax year ranged from 2.59 percent to a maximum of 4.54 percent on an individual's income over \$150,000 (or joint income over \$300,000).

DISTRIBUTION

State income tax collections are shared with Arizona municipalities in an Urban Revenue Sharing Program. Pursuant to House Bill 2871, Chapter 351, 2nd Regular Session, 2006, the sum of \$727,677,400 was appropriated from the state general fund, of which \$10,549,800 was appropriated to incorporated cities and towns as distributed in fiscal year 2003-2004. (*Refer to Tables 28 and 29*).

Voluntary taxpayer contributions to Aid to Education Fund, Citizens Clean Elections Fund, Domestic Violence Shelter Fund, Child Abuse Prevention Fund, Arizona Wildlife Fund, Special Olympics Fund, Neighbors Helping Neighbors Fund, Veteran's Donation Fund, National Guard Relief Fund, and political parties are distributed to the appropriate agency, political party or organization (*Refer to Table 29*).

CORPORATE AND INDIVIDUAL INCOME TAX CREDITS

<u>CREDIT</u>	<u>AVAILABLE TO</u>
Agricultural Pollution Control Equipment	Taxpayers that incur expenses during the taxable year to purchase agricultural pollution control equipment.
Agricultural Water Conservation System	Taxpayers that incur expenses to purchase and install an agricultural water conservation system in Arizona.
Clean Elections	For donations made directly to the Clean Elections Fund or a donation made on the tax return.
Contributions to Charities that Provide Assistance to the Working Poor	Individual taxpayers that make cash contributions to certain charities that provide help to the working poor. The credit is \$200 or \$400, depending upon filing status
Corporate Contributions To School Tuition Organizations	Corporate credit that allows taxpayers to make cash contributions to school tuition organizations. The amount of the donation must be pre-approved by the department. There is an annual limit to the aggregate amount of donations made.
Defense Contracting	Taxpayers certified by the Arizona Department of Commerce as a qualified defense contractor for qualified increases in employment.
Employing Arizona National Guard Members	Credit for employers who have an employee that is a member of the Arizona National Guard if the employee is placed on active duty. The credit is \$1,000 for each employee placed on active duty.
Employment of TANF Recipients	Taxpayers that employ recipients of Temporary Assistance for Needy Families (TANF).
Enterprise Zone	Taxpayers whose business is located in an Arizona enterprise zone that have a net increase in qualified employment positions.
Environmental Technology Facility	Taxpayers that incur expenses in constructing a qualified environmental technology manufacturing, producing, or processing facility as described in ARS § 41-1514.02.
Family	A credit for taxpayers below certain income levels, with differing amounts for different household sizes.
Healthy Forest Enterprises	Businesses that operate a healthy forest enterprise may receive a non-refundable credit against corporate and individual income tax liabilities.
Income Taxes Paid to Another State or Country	Taxpayers that paid a net income tax to Arizona and another qualified state or foreign country, on the same income.
Investment in Qualified Small Businesses	Allows a credit for investments in qualified small businesses to individuals.
Increased Excise Taxes	A refundable credit for Arizona residents whose federal adjusted gross income is beneath a certain threshold (\$25,000 or less for Married Filing Joint or Head of Household, or \$12,500 for Married Filing Separately or Single) and who cannot be claimed as a dependent by any other taxpayer to mitigate the increase in transaction privilege tax rate for education.

CREDIT**AVAILABLE TO****Military Family Relief Fund**

Individual taxpayers that make contributions to the fund which helps service members and their families faced with unforeseen expenses when a loved one becomes a casualty of war. The credit is \$200 or \$400, depending upon filing status.

Military Reuse Zone

Taxpayers with a net increase in employment of full-time employees working in a military reuse zone.

**Motion Picture
Productions Costs**

Provides a transferable tax credit against corporate and individual income tax liabilities for motion picture production companies that produce motion pictures completely or partially in Arizona.

Pollution Control Taxpayers

that purchase real or personal property that is used within Arizona in the taxpayer's trade or business to control or prevent pollution.

**Private School
Tuition Organizations**

Individual taxpayers that made contributions to a school tuition organization that provides scholarships or grants to qualified schools. The credit is \$500 or \$1000, depending upon filing status.

Property Tax

A refundable credit for property taxes accrued if certain age and income level conditions are met.

**Public School Extra
Curricular Activity**

Individual taxpayers that make contributions or paid certain fees to public schools in Arizona. The credit is \$200 or \$400, depending upon filing status.

Recycling Equipment

Taxpayers who acquire and place in service recycling equipment in Arizona. This credit was repealed for corporations not individuals.

Research and Development

Corporate taxpayers with an increase in qualifying research and development expenses conducted in Arizona.

School Site Donation

This tax credit is for the donation of real property and improvements to an Arizona school district or Arizona charter school for use as a school or as a site for the construction of a school.

Solar Energy Devices

Individual taxpayers who install a solar energy device in his or her residence located in Arizona.

**Solar Energy Devices –
Commercial & Industrial
Applications**

This credit is available to individuals, corporations and S corporations. The credit is 10% of the cost of the installed device, not to exceed \$25,000 with respect to the same building in the same tax year, or \$50,000 in total credits in any given year.

**Solar Hot Water Heater
Plumbing Stub Outs and
Electric Vehicle Recharge Outlets**

Taxpayers for the installation of solar hot water heater plumbing stub outs and electric vehicle recharge outlets in houses or dwelling units constructed by the taxpayer. The houses or dwelling units must be located in Arizona.

CREDIT

AVAILABLE TO

**Taxes Paid for Coal Consumed
in Generating Electrical Power**

Corporate taxpayers that allows a credit equal to 30 percent of the amount paid by the seller or purchaser as transaction privilege tax or use tax for coal sold to the taxpayer that is consumed in the generation of electrical power in Arizona.

Water Conservation System

An individual may qualify for this credit if the taxpayer installed a qualifying water conservation system in the taxpayer's residence located in Arizona.

TABLE 28
INCOME TAX COLLECTIONS
FISCAL YEAR 2004-05 THROUGH FISCAL YEAR 2008-09

SOURCE	FY2004-05	FY2005-06	FY2006-07	FY2007-08	FY2008-09	PERCENT OF NET COLLECTIONS IN FY2008-09
<u>Withheld from Wages</u>						
Gross Revenue	\$2,626,264,231	\$3,041,031,728	\$3,294,287,540	\$3,344,770,438	\$3,092,546,185	
Refunds and Charge-offs	(5,267,886)	(8,992,229)	(19,969,915)	(22,167,786)	(13,229,118)	
NET	\$2,620,996,345	\$3,032,039,499	\$3,274,317,624	\$3,322,602,653	\$3,079,317,068	97.2%
<u>Individuals & Fiduciaries</u>						
Gross Revenue	\$1,128,453,951	\$1,631,563,811	\$1,677,949,795	\$1,461,050,780	\$967,788,513	
Regular Refunds and Charge-offs	(895,440,957)	(1,012,026,853)	(1,285,344,591)	(1,369,350,067)	(1,471,652,247)	
Attorney Fees - Ladewig refunds (1)	(6,249,511)	(5,107,102)	(4,853,277)	(2,575)	0	
NET	\$226,763,483 (2)	\$614,429,855	\$387,751,926	\$91,698,139	(\$503,863,734)	-15.9%
<u>Corporations</u>						
Gross Revenue	\$789,739,978	\$978,239,759	\$1,070,710,516	\$985,126,064	\$749,268,088	
Refunds and Charge-offs	(87,880,694)	(104,020,287)	(84,540,518)	(200,615,179)	(157,110,835)	
NET	\$701,859,285	\$874,219,472	\$986,169,998	\$784,510,885	\$592,157,253	18.7%
Subtotal Net Collections	\$3,549,619,113 (2)	\$4,520,688,826	\$4,648,239,549	\$4,198,811,676	\$3,167,610,587	100.0%
Less distributions for:						
Urban Revenue Sharing	\$373,072,580	\$425,228,927	\$551,230,661	\$684,538,927	\$727,677,400 (3)	
Child Abuse Prevention	200,870	240,323	250,683	260,062	232,949	
Veteran's Donation Fund	-----	-----	-----	65,085	300,509	
Aid to Education	42,696	37,991	38,309	107,173	79,933	
Domestic Violence Shelter	142,058	178,520	195,840	196,622	183,973	
Special Olympics	87,888	100,319	106,425	105,085	103,287	
Wildlife Contributions	174,101	212,208	255,738	235,199	226,343	
Neighbors Helping Neighbors	37,509	51,410	53,507	55,421	59,433	
Clean Elections	4,831,319	4,947,968	6,145,768	6,505,822	6,261,470	
National Guard Relief Fund	-----	-----	-----	264,523	87,491	
Democratic Party	23,860	27,679	31,304	31,539	18,554	
Libertarian Party	2,292	2,436	3,315	2,310	1,918	
Republican Party	16,777	19,190	21,444	18,081	10,573	
Green Party	0	0	0	557	684	
Subtotal Distributions	\$378,631,950	\$431,046,971	\$558,332,993	\$692,386,405	\$735,244,518	
NET REVENUE TO STATE GENERAL FUND	\$3,170,987,163 (2)	\$4,089,641,855	\$4,089,906,556	\$3,506,425,271	\$2,432,366,069	
WQARF DISTRIBUTION	\$11,000,000 (2)	\$15,000,000	\$15,000,000	\$15,000,000	\$13,000,000	

(1) Attorney fees relating to the Ladewig class action lawsuit were paid from individual income tax refunds

(2) Corrected figures.

(3) Pursuant to HB 2871, Chapter 351, 2nd Regular Session, 2006, the sum of \$727,677,400 was appropriated from the state general fund, of which \$10,549,800 was appropriated as repayment to incorporated cities and towns as distributed in FY04.

Figures may not add to total due to rounding.

**TABLE 29
EXEMPTIONS, DEDUCTIONS AND CREDITS
TAX YEAR 2005 THROUGH TAX YEAR 2008**

TAX YEAR	PERSONAL EXEMPTION (2)	BLIND EXEMPTION	AGE 65 AND OVER EXEMPTION	DEPENDENT EXEMPTION	STANDARD DEDUCTION LIMIT (1)	MAXIMUM PROPERTY TAX CREDIT	MAXIMUM FAMILY TAX CREDIT
2005	2,100	1,500	2,100	2,300	4,125/8,250	502	240
2006	2,100	1,500	2,100	2,300	4,247/8,494	502	240
2007	2,100	1,500	2,100	2,300	4,373/8,745	502	240
2008	2,100	1,500	2,100	2,300	4,521/9,042	502	240

(1) Amounts shown are for individual and married-filing-jointly returns.

(2) Beginning with tax year 1997, married filers claiming at least one dependent are entitled to an additional \$2,100 personal exemption.

**INDIVIDUAL INCOME TAX CREDITS
TAX YEAR 2005 THROUGH TAX YEAR 2007**

CREDIT	TAX YEAR 2005		TAX YEAR 2006		TAX YEAR 2007	
	CLAIMANTS	CREDITS	CLAIMANTS	CREDITS	CLAIMANTS	CREDITS
Agricultural Pollution Control	(1)	(1)	(1)	(1)	(1)	(1)
Agricultural Preservation District	0	\$0	---	---	---	---
Agricultural Water Conservation	137	\$1,905,338	138	\$1,873,967	130	\$1,746,925
Alternative Fuel - Non Refundable						
--Neighborhood Electric Vehicles	395	\$809,199	80	\$67,977	---	---
Clean Elections	31,075	\$801,435	33,046	\$817,591	34,358	\$815,625
Commercial & Industrial Solar Energy Contributions to Charities that Provide Assistance to the Working Poor	---	---	4	\$17,575	6	\$8,827
Defense Contracting	25,587	\$6,589,000	29,202	\$7,939,507	(2)	(2)
Employing National Guard Members	0	\$0	0	\$0	0	\$0
Employment of TANF Recipients	---	---	(1)	(1)	0	\$0
Enterprise Zone	(1)	(1)	0	\$0	(1)	(1)
Environmental Technology	193	\$1,458,081	197	\$1,629,136	148	\$1,006,150
Family Tax Credit	0	\$0	0	\$0	0	\$0
Healthy Forest Enterprises	439,056	\$7,661,867	448,960	\$6,867,294	518,820	\$6,784,150
Income Taxes Paid to Other States	---	---	0	\$0	0	\$0
Increased Excise Taxes Paid	34,664	\$119,416,310	34,880	\$124,937,274	27,706	\$105,315,257
Investment in Qualified Small Business	546,678	\$29,358,243	536,940	\$28,751,332	579,464	\$30,444,007
Military Reuse Zone	---	---	---	---	62	\$264,232
Motion Picture Production & Infrastructure	0	\$0	0	\$0	0	\$0
Pollution Control Device	---	---	0	\$0	4	\$128,165
Private School Tuition Organization (3)	23	\$71,574	(2)	(2)	(2)	(2)
Property Tax	69,239	\$42,194,898	73,617	\$51,011,815	76,065	\$54,303,282
Recycling Equipment	13,943	\$4,977,070	13,247	\$4,776,863	16,810	\$5,979,296
Research and Development	215,369	\$35,416,279	218,664	\$43,230,433	214,356	\$44,069,896
School Site Donation	0	\$0	0	\$0	0	\$0
Solar Energy	185	\$3,216,992	236	\$3,842,411	161	\$2,629,418
Solar Hot Water Heater & Plumbing Stub Outs	80	\$6,029,585	90	\$7,813,331	61	\$2,326,763
Technology Training	3,699	\$1,575,965	4,104	\$2,050,173	(2)	(2)
Water Conservation Systems	23	\$10,437	(2)	(2)	(2)	(2)
Total	0	\$0	---	---	---	---
	---	---	---	---	52	\$30,245
	1,380,353	\$261,510,008	1,393,405	\$285,626,679	1,468,209	\$255,865,638

(1) Too few claimants to allow release of information without violating confidentiality laws.

(2) Credits claimed for tax years are being reviewed. No data is available at this time.

(3) Data reported is based on donation information provided to the Department of Revenue by the Private School Tuition Organizations and the Public Schools. For the purposes of this report, it is assumed that all credit was used in the tax year.

Figures for all credits shown here are subject to change, due to the verification process.

TABLE 30
RESIDENT INDIVIDUAL INCOME TAX LIABILITY
BY FEDERAL ADJUSTED GROSS INCOME
TAX YEAR 2006 (1)

FEDERAL ADJUSTED GROSS INCOME	# OF FILERS	% OF TOTAL	LIABILITY	% OF TOTAL
Negative Income	31,001	1.32%	\$100,632	0.00%
\$0.01 to \$1,999	38,694	1.65%	26,716	0.00%
\$2,000 to \$5,999	121,045	5.16%	119,273	0.00%
\$6,000 to \$9,999	145,202	6.20%	3,565,078	0.11%
\$10,000 to \$13,999	151,196	6.45%	10,636,343	0.32%
\$14,000 to \$19,999	235,510	10.05%	31,625,031	0.94%
\$20,000 to \$24,999	183,066	7.81%	43,895,504	1.31%
\$25,000 to \$29,999	164,046	7.00%	57,874,453	1.73%
\$30,000 to \$39,999	268,922	11.47%	139,099,087	4.15%
\$40,000 to \$49,999	198,533	8.47%	143,844,861	4.29%
\$50,000 to \$74,999	331,794	14.16%	354,153,637	10.56%
\$75,000 to \$99,999	195,603	8.35%	328,065,025	9.78%
\$100,000 to \$199,999	208,955	8.92%	645,453,740	19.24%
\$200,000 to \$499,999	53,752	2.29%	487,723,485	14.54%
\$500,000 to \$999,999	10,172	0.43%	260,964,550	7.78%
\$1,000,000 to \$4,999,999	5,484	0.23%	428,386,033	12.77%
\$5,000,000 and over	738	0.03%	418,445,624	12.48%
TOTAL	2,343,713	100.00%	\$3,353,979,072	100.00%

(1) This summary combines all liability reported on the Arizona Form 140 and 140A Individual Income tax returns for tax year 2006, filed from January 2007 forward.

TABLE 31
NONRESIDENT/ PART YEAR RESIDENT INDIVIDUAL INCOME TAX
LIABILITY BY FEDERAL ADJUSTED GROSS INCOME
TAX YEAR 2006 (1)

ARIZONA PORTION OF FEDERAL ADJUSTED GROSS INCOME	# OF FILERS	% OF TOTAL	LIABILITY	% OF TOTAL
Negative Income	28,958	11.30%	2,605,358	0.78%
\$0.01 to \$1,999	22,126	8.64%	25,433	0.01%
\$2,000 to \$5,999	37,745	14.73%	135,209	0.04%
\$6,000 to \$9,999	28,766	11.23%	1,175,624	0.35%
\$10,000 to \$13,999	22,617	8.83%	2,364,339	0.71%
\$14,000 to \$19,999	25,384	9.91%	5,170,533	1.55%
\$20,000 to \$24,999	15,166	5.92%	4,927,863	1.48%
\$25,000 to \$29,999	11,419	4.46%	4,969,680	1.49%
\$30,000 to \$39,999	16,204	6.33%	9,855,569	2.96%
\$40,000 to \$49,999	10,830	4.23%	9,311,120	2.79%
\$50,000 to \$74,999	15,042	5.87%	19,435,839	5.83%
\$75,000 to \$99,999	7,067	2.76%	14,422,394	4.33%
\$100,000 to \$199,999	8,810	3.44%	33,351,373	10.01%
\$200,000 to \$499,999	3,864	1.51%	40,050,821	12.02%
\$500,000 to \$999,999	1,146	0.45%	30,756,319	9.23%
\$1,000,000 to \$4,999,999	881	0.34%	72,066,020	21.63%
\$5,000,000 and over	161	0.06%	82,610,127	24.79%
TOTAL	256,186	100.00%	\$333,233,621	100.00%

(1) This summary combines all liability reported on the Arizona Form 140NR and 140PY Individual Income tax returns for tax year 2006, filed from January 2007 forward.

TABLE 32
CORPORATE INCOME TAX
CORPORATE TAXPAYER BY SIZE OF TAX LIABILITY
TAX YEAR 2006 (1)

CORPORATE TAX LIABILITY	# OF FILERS	% OF TOTAL	LIABILITY	% OF TOTAL
\$50 Minimum	34,333	68.3%	\$1,695,500	0.2%
\$50.01 to \$99.99	1,221	2.4%	88,256	0.0%
\$100 to \$999.99	5,520	11.0%	2,279,046	0.3%
\$1,000 to \$4,999.99	4,617	9.2%	11,542,578	1.4%
\$5,000 to \$9,999.99	1,479	2.9%	10,394,651	1.3%
\$10,000 to \$49,999.99	1,778	3.5%	40,004,529	4.9%
\$50,000 to \$99,999.99	455	0.9%	32,621,880	4.0%
\$100,000 to \$499,999.99	571	1.1%	121,309,626	14.8%
\$500,000 to \$999,999.99	123	0.2%	86,089,326	10.5%
\$1,000,000 to \$15,000,000	146	0.3%	514,608,058	62.7%
TOTAL	50,243	100.0%	\$820,633,450	100.0%

CORPORATE INCOME TAX CREDITS
TAX YEAR 2006

CREDIT TYPE	# OF FILERS	CREDIT USED	CARRYFORWARD AVAILABLE
Agricultural Pollution Control Equipment	*	*	*
Alternative Fuel - Non Refundable			
--Neighborhood Electric Vehicles	*	*	*
Clean Elections	126	\$784	\$0
Coal Used for Electric Generation	3	\$929,098	\$1,956,070
Commercial & Industrial Solar Energy	*	*	*
Consolidated Filers	52	\$31,647,046	\$0
Contributions to School Tuition Organizations	57	\$9,653,438	\$272,552
Defense Contracting	*	*	*
Employing National Guard Members	3	\$5,000	\$0
Employment of TANF Recipients	9	\$34,804	\$11,758
Enterprise Zone	102	\$8,526,288	\$2,546,829
Environmental Technology	*	*	*
Healthy Forest Enterprises	0	\$0	\$0
Military Reuse Zone	*	*	*
Motion Picture Production/Infrastructure	*	*	*
Pollution Control Equipment	18	\$1,933,594	\$856,243
Research & Development	194	\$53,204,094	\$697,467,765
School Site Donation	6	\$2,755,447	\$1,132
Solar Hot Water Heater Plumbing Stub-Outs	0	\$0	\$0
TOTAL (2)	576	\$116,980,493	\$727,185,670

(1) This summary combines all liability on the Arizona Form 120 Corporate Income Tax returns for tax year 2006 filed from January 2007 forward.

(2) Total is for all credits, including those for which information cannot be divulged individually.

* The single asterisk indicates that no information can be released due to confidentiality laws in Arizona.

Figures may not add to total due to rounding.

**TABLE 33
 AVERAGE FEDERAL ADJUSTED GROSS INCOME
 AND AVERAGE TAX LIABILITY PER RETURN
 BY COUNTY FOR TAX YEAR 2006**

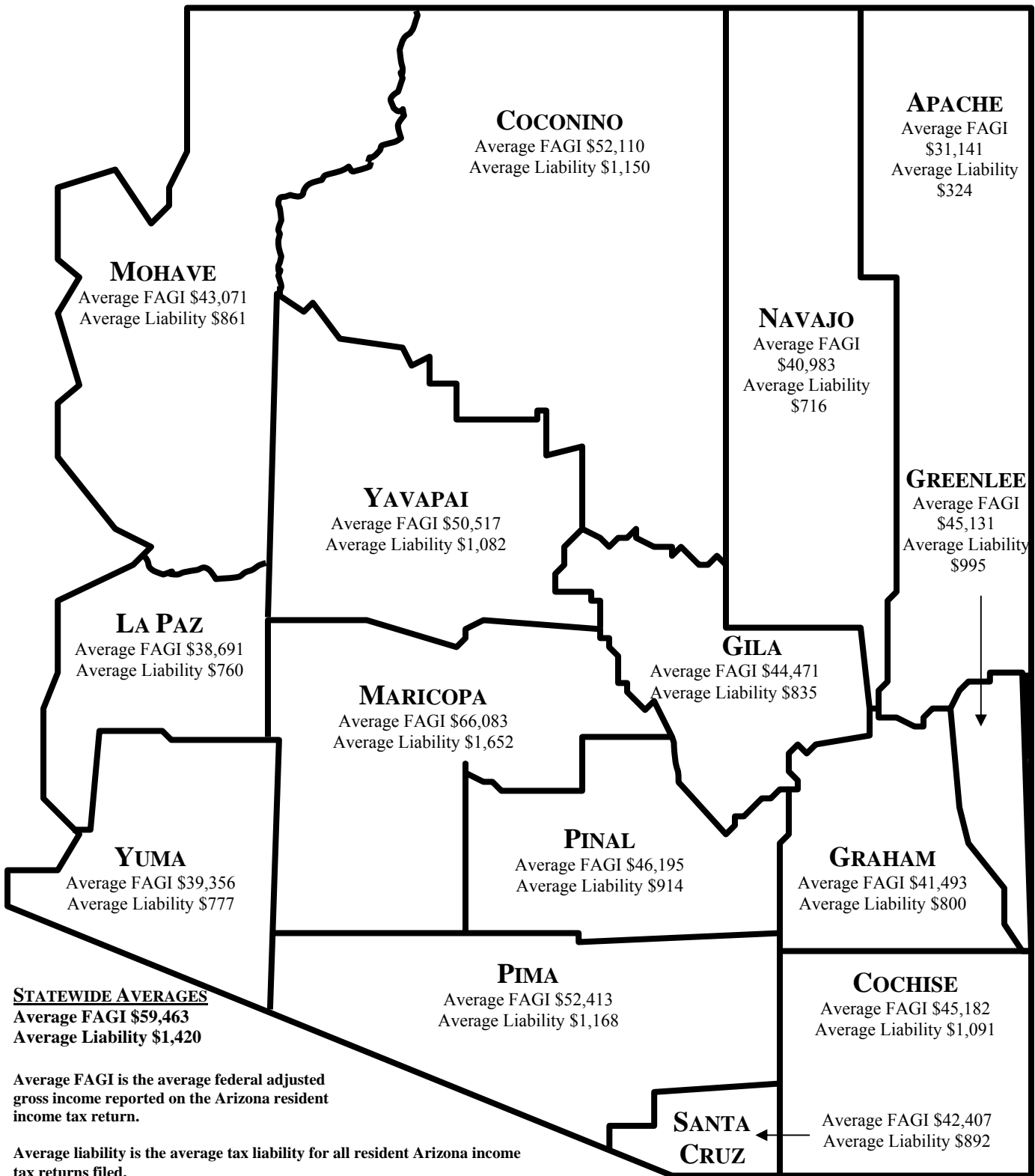


TABLE 34
URBAN REVENUE SHARING
FISCAL YEAR 2004-05 THROUGH FISCAL YEAR 2008-09

FISCAL YEAR	AMOUNT
2004-05	\$373,072,580
2005-06	\$425,228,927
2006-07	\$551,230,661
2007-08	\$684,538,927
2008-09	\$727,677,400 (1)

(1) Pursuant to HB 2871, Chapter 351, 2nd Regular Session, 2006, the sum of \$727,677,400 was appropriated from the state general fund, of which \$10,549,800 was appropriated as repayment to incorporated cities and towns as distributed in FY04.

**TABLE 35
DISTRIBUTION OF INCOME TAX AS URBAN REVENUE SHARING
TO MUNICIPALITIES IN FISCAL YEAR 2008-09 (1)**

CITIES BY COUNTY	AMOUNT	% OF TOTAL	CITIES BY COUNTY	AMOUNT	% OF TOTAL
APACHE			Queen Creek	\$2,428,743	0.33%
Eagar	566,705	0.09%	Scottsdale	35,102,991	4.82%
St. Johns	578,491	0.08%	Surprise	13,080,276	1.80%
Springerville	309,276	0.04%	Tempe	24,832,128	3.41%
COCHISE			Tolleson	970,001	0.13%
Benson	710,393	0.10%	Wickenburg	908,276	0.12%
Bisbee	983,513	0.14%	Youngtown	915,545	0.13%
Douglas	2,575,571	0.35%	MOHAVE		
Huachuca City	274,089	0.04%	Bullhead City	5,715,646	0.79%
Sierra Vista	6,533,192	0.90%	Colorado City	609,599	0.08%
Tombstone	241,043	0.03%	Kingman	3,861,014	0.53%
Willcox	581,918	0.08%	Lake Havasu City	7,979,307	1.10%
COCONINO			NAVAJO		
Flagstaff	9,149,290	1.26%	Holbrook	811,818	0.11%
Fredonia	223,623	0.03%	Pinetop-Lakeside	622,764	0.09%
Page	1,064,919	0.15%	Show Low	1,475,936	0.20%
Williams	470,608	0.06%	Snowflake	738,459	0.10%
GILA			Taylor	612,133	0.08%
Globe	1,123,386	0.15%	Winslow	1,473,327	0.20%
Hayden	223,248	0.03%	PIMA		
Miami	292,981	0.04%	Marana	3,971,447	0.55%
Payson	2,308,055	0.32%	Oro Valley	5,886,132	0.81%
Star Valley	295,449	0.04%	Sahuarita	2,068,932	0.28%
Winkelman	222,078	0.03%	South Tucson	843,504	0.12%
GRAHAM			Tucson	79,293,892	10.90%
Pima	326,553	0.04%	PINAL		
Safford	1,402,617	0.19%	Apache Junction	5,100,803	0.70%
Thatcher	680,614	0.09%	Casa Grande	4,847,983	0.67%
GREENLEE			Coolidge	1,225,056	0.17%
Clifton	389,109	0.05%	Eloy	1,665,549	0.23%
Duncan	223,039	0.03%	Florence	3,063,420	0.42%
LA PAZ			Kearny	337,098	0.05%
Parker	491,267	0.07%	Mammoth	264,102	0.04%
Quartzsite	538,955	0.07%	Maricopa	2,346,804	0.32%
MARICOPA			Superior	487,735	0.07%
Avondale	10,308,422	1.42%	SANTA CRUZ		
Buckeye	3,764,002	0.52%	Nogales	3,269,572	0.45%
Carefree	550,215	0.08%	Patagonia	223,219	0.03%
Cave Creek	711,661	0.10%	YAVAPAI		
Chandler	34,459,502	4.74%	Camp Verde	1,604,965	0.22%
El Mirage	4,735,249	0.65%	Chino Valley	1,836,536	0.25%
Fountain Hills	3,659,964	0.50%	Clarkdale	550,915	0.08%
Gila Bend	296,778	0.04%	Cottonwood	1,623,403	0.22%
Gilbert	26,434,943	3.63%	Dewey-Humboldt	593,550	0.08%
Glendale	36,266,804	4.98%	Jerome	221,781	0.03%
Goodyear	6,855,644	0.94%	Prescott	6,093,130	0.84%
Guadalupe	831,775	0.11%	Prescott Valley	5,006,330	0.69%
Litchfield Park	676,822	0.09%	Sedona	1,637,088	0.22%
Mesa	67,033,065	9.21%	YUMA		
Paradise Valley	2,077,377	0.29%	San Luis	3,417,109	0.47%
Peoria	20,628,383	2.83%	Somerton	1,434,896	0.20%
Phoenix	220,806,371	30.34%	Wellton	294,912	0.04%
			Yuma	13,355,612	1.84%
			TOTAL	\$727,677,400	100.00%

City distributions are based on relative population.
Figures may not add to total due to rounding

(1) Pursuant to HB 2871, Chapter 351, 2nd Regular Session, 2006, the sum of \$727,677,400 was appropriated from the state general fund, of which \$10,549,800 was appropriated as repayment to incorporated cities and towns as distributed in FY04.

PROPERTY TAX

In Arizona, property taxation is an "ad valorem" tax (ad valorem, meaning "according to value"). The tax is calculated from two different bases: full cash value (market value) and limited value (i.e., statutorily-controlled value). The full cash value is used to calculate tax rates to pay for voter-initiated bonds, overrides, and special district levies (*Refer to Table 37*). Taxes based upon the limited value provide revenues to maintain the basic operations of state, county and city government, schools, and other public entities (*Refer to Table 36*). Limited values cannot exceed the full cash value of each property. Taxes calculated on the limited value, called primary taxes, are added to those derived from the full cash value, or secondary taxes, to produce the total annual tax bill. All taxable property in Arizona is classified according to its actual use. Each classification is assigned a specific assessment ratio prescribed by law, which is multiplied by the full cash and limited values to produce an assessed value (See Figure 1). The assessed value is the basis for calculating tax bills.

GENERAL PROPERTY TAX

ADMINISTRATION

The duties of valuing property for tax purposes are divided between the department and the fifteen county assessors' offices. The department values utilities, airlines, railroads, mines, telecommunication companies, and other geographically-dispersed properties (Centrally Valued Properties). The values for those properties appraised by the department are transmitted to the County Boards of Supervisors for entry upon the county tax rolls for levy and collection of property taxes.

The county assessors, using the appraisal standards guidelines and manuals adopted by the department, are responsible for the appraisal and assessment of other classes of property, including residential, commercial, and agricultural properties (Locally Assessed Properties).

Appeals of valuations or classifications for locally assessed properties originate with the property owner's petition for review filed with the county assessor. Subsequent appeals may be filed with either the local County Board of Equalization or the

State Board of Equalization or the Arizona Tax Court, a division of the Maricopa County Superior Court.

TAX COLLECTION AND DISTRIBUTION

County treasurers collect all property taxes (except those assessed upon airline flight properties and private car companies) and distribute receipts to all taxing entities. Taxes levied on airline flight properties and private rail car properties are collected by the department and deposited with the Arizona State Treasurer. Taxes on airline flight properties and private car companies are levied at the average state tax rate. This rate is derived by dividing the total of all of the levies in the state by the total net assessed value in the state. This calculation produces the weighted average of all of the levies in the state and is referred to as the "average state tax rate."

EQUALIZATION

The department's primary tool in evaluating assessors' assessment performance is its sales ratio study, which compares values established by the county assessors with sales prices of recently sold properties. These studies are performed several times each year by county, type of property, and market area.

Sales ratios are derived by dividing full cash values by sales prices of recently sold properties. The median ratio is the middle ratio in a sorted (low to high) array of sales ratios; 50% of the ratios lie above the median and 50% fall below it. The median ratio is the most commonly used.

The sales ratio studies include coefficients of dispersion which are a measure of how equally all taxpayers are treated. Coefficient of dispersion targets are currently 25 % for vacant land and commercial properties, 15 % for residential properties in Maricopa and Pima counties, and 20 % on residential properties in all other counties. Lower coefficients of dispersion indicate greater equity in property assessments.

Centrally Valued Properties

The Centrally Valued Properties Unit is responsible for the annual valuation of 13 industries for ad valorem property tax purposes.

Generally, these are large, complex properties which are often located in more than one county and/or in more than one state. Values determined for such properties are apportioned to the individual taxing jurisdictions. They are referred to as centrally valued because they are valued by the department rather than the 15 county assessors.

The assessment and appeals calendar for centrally valued properties coincides with the calendar for locally assessed properties.

Figure 1

Class	Legal Classification	Assessment Ratio
1.1	Mines	22%
1.3-1.7, 1.11	Utilities	22%
1.12	Commercial Real	22%
1.13	Commercial Personal	First \$65,013 exempt; 22% on the remainder
2R	Agricultural Real; Vacant Land	16%
2P	Agricultural Personal	First \$65,013 exempt; 16% on the remainder
3	Residential	10%
4	Rental Residential	10%
5	Railroads, Airlines	18%
6	Historic Property; Foreign Trade Zones; Qualified Environmental Technology Facilities	5%
7	Commercial Historic	Combination 1% and 22%
8	Rental Residential Historic	Combination 1% and 10%
9	Improvements on government property	1%

INDUSTRIES VALUED BY THE DEPARTMENT

Industry	Number of Companies		
	2007	2008	2009
Airlines (Flight Property).....	34	30	29
Electric & Gas*			
Generation	24	35	35
Transmission and Distribution.....	35	29	29
Mines (non-producing)	5	1	1
Mines (producing).....	31	33	35
Pipelines (Gas Transmission)	9	8	8
Private Rail Cars	262	271	264
Producing Oil & Gas Interests	4	3	3
Railroads	11	11	11
Telecommunications	77	73	66
Water Utilities.....	328	331	328
Total	820	825	809

* Includes Salt River Project

**TABLE 36
STATE OF ARIZONA
TAX YEAR 2009 PRIMARY PROPERTY TAX LEVIES**

TAX AUTHORITY	NET ASSESSED VALUATION	STATE	COUNTY	CITIES and TOWNS	COMMUNITY COLLEGES	SCHOOLS	ALL OTHER	TOTAL	PRIMARY RATE
APACHE	\$480,466,523	\$1,588,422	\$2,145,763	\$0	\$0	\$13,158,400	\$0	\$16,892,585	3.52
COCHISE	\$986,677,834	\$3,387,731	\$26,072,962	\$2,201,132	\$15,860,846	\$37,987,754	\$0	\$85,510,425	8.67
COCONINO	\$1,840,775,046	\$6,591,011	\$7,313,399	\$5,682,727	\$6,201,571	\$50,592,167	\$0	\$76,380,875	4.15
GILA	\$590,487,639	\$1,952,152	\$22,143,286	\$1,985,767	\$3,117,103	\$19,308,659	\$0	\$48,506,967	8.21
GRAHAM	\$221,874,583	\$733,517	\$3,450,150	\$202,816	\$3,987,086	\$8,352,492	\$0	\$16,726,061	7.54
GREENLEE	\$485,530,992	\$1,605,166	\$1,450,175	\$211,920	\$0	\$7,994,745	\$0	\$11,262,006	2.32
LA PAZ	\$209,757,376	\$693,458	\$3,958,961	\$0	\$3,176,146	\$5,016,083	\$0	\$12,844,648	6.12
MARICOPA	\$49,675,117,156	\$188,099,373	\$492,582,709	\$206,181,627	\$359,942,153	\$1,527,406,212	\$0	\$2,774,212,074	5.58
MOHAVE	\$2,533,064,495	\$8,374,311	\$32,010,336	\$4,910,186	\$17,205,955	\$83,111,861	\$0	\$145,612,649	5.75
NAVAJO	\$998,764,550	\$3,319,408	\$5,587,089	\$362,629	\$11,337,976	\$33,644,942	\$0	\$54,252,044	5.43
PIMA	\$8,985,711,830	\$29,896,925	\$297,723,590	\$11,452,157	\$84,070,000	\$349,796,607	\$0	\$772,939,279	8.60
PINAL	\$2,880,540,107	\$9,526,482	\$93,179,452	\$15,021,222	\$39,751,453	\$102,308,951	\$0	\$259,787,560	9.02
SANTA CRUZ	\$389,942,563	\$1,291,980	\$11,291,178	\$0	\$0	\$19,513,132	\$0	\$32,096,290	8.23
YAVAPAI	\$3,274,078,347	\$10,826,536	\$42,045,714	\$1,689,549	\$36,833,381	\$85,216,423	\$0	\$176,611,603	5.39
YUMA	\$1,223,205,142	\$4,043,916	\$21,509,071	\$9,783,493	\$18,521,772	\$43,981,999	\$0	\$97,840,251	8.00
TOTAL STATE	\$74,775,994,183	\$271,930,388	\$1,062,463,835	\$259,685,225	\$600,005,442	\$2,387,390,427	\$0	\$4,581,475,317	6.13
AVERAGE STATE PRIMARY TAX RATE PER \$100									6.13

TAX YEAR 2008 PRIMARY PROPERTY TAX LEVIES

TAX AUTHORITY	NET ASSESSED VALUATION	STATE	COUNTY	CITIES and TOWNS	COMMUNITY COLLEGES	SCHOOLS	ALL OTHER	TOTAL	PRIMARY RATE
APACHE	\$435,342,926	\$0	\$2,016,000	\$0	\$0	\$13,428,266	\$0	\$15,444,266	3.55
COCHISE	\$903,521,761	\$194,777	\$24,177,339	\$2,138,391	\$15,002,075	\$34,724,754	\$0	\$76,237,336	8.44
COCONINO	\$1,686,709,736	\$771,987	\$7,317,594	\$5,419,020	\$6,159,864	\$53,954,916	\$0	\$73,623,381	4.36
GILA	\$513,379,379	\$0	\$20,124,472	\$1,922,762	\$2,872,358	\$18,984,170	\$0	\$43,903,762	8.55
GRAHAM	\$175,244,227	\$0	\$2,851,749	\$196,268	\$3,299,498	\$6,621,187	\$0	\$12,968,702	7.40
GREENLEE	\$445,025,593	\$0	\$1,563,813	\$212,057	\$0	\$7,731,200	\$0	\$9,507,070	2.14
LA PAZ	\$191,349,824	\$0	\$3,751,987	\$0	\$3,114,122	\$4,472,218	\$0	\$11,338,327	5.93
MARICOPA	\$44,881,602,698	\$18,146,524	\$463,836,389	\$186,976,059	\$347,905,170	\$1,537,781,426	\$0	\$2,554,645,568	5.69
MOHAVE	\$2,286,744,927	\$0	\$30,434,288	\$4,699,922	\$16,355,145	\$72,528,464	\$0	\$124,017,819	5.42
NAVAJO	\$908,393,696	\$14,827	\$5,246,080	\$346,659	\$10,644,746	\$27,028,938	\$0	\$43,281,250	4.76
PIMA	\$8,230,966,534	\$174,735	\$279,136,768	\$10,962,909	\$81,023,355	\$357,525,926	\$0	\$728,823,693	8.85
PINAL	\$2,473,499,660	\$3,288	\$85,003,375	\$12,965,537	\$34,850,119	\$107,777,764	\$0	\$240,600,083	9.73
SANTA CRUZ	\$352,686,375	\$2,856	\$10,630,673	\$0	\$0	\$16,918,905	\$0	\$27,552,434	7.81
YAVAPAI	\$2,954,598,732	\$1,006,441	\$40,429,914	\$1,553,141	\$35,424,260	\$80,694,877	\$0	\$159,108,633	5.39
YUMA	\$1,079,816,171	\$0	\$20,327,539	\$9,087,371	\$17,573,465	\$43,273,164	\$0	\$90,261,539	8.36
TOTAL STATE	\$67,518,882,239	\$20,315,435	\$996,847,980	\$236,480,096	\$574,224,177	\$2,383,446,175	\$0	\$4,211,313,863	6.24
AVERAGE STATE PRIMARY TAX RATE PER \$100									6.24

All figures are current as of September 1, 2009.

NOTE: Some increase/decrease due to reporting tax levies in different authorities than in previous years.

**TABLE 37
STATE OF ARIZONA
TAX YEAR 2009 SECONDARY PROPERTY TAX LEVIES**

TAX AUTHORITY	NET ASSESSED VALUATION	STATE	COUNTY	CITIES and TOWNS	COMMUNITY COLLEGES	SCHOOLS	ALL OTHER	TOTAL	SECONDARY RATE
APACHE	\$524,950,227	\$0	\$7,662,028	\$0	\$1,827,352	\$3,137,968	\$5,305,935	\$17,933,283	3.42
COCHISE	\$1,060,241,909	\$0	\$4,784,800	\$174,725	\$0	\$9,256,921	\$9,352,211	\$23,568,657	2.22
COCONINO	\$2,155,851,009	\$0	\$9,382,936	\$7,631,176	\$1,935,954	\$16,709,591	\$18,809,715	\$54,469,372	2.53
GILA	\$649,743,734	\$0	\$1,949,231	\$258,444	\$0	\$4,218,588	\$7,869,124	\$14,295,387	2.20
GRAHAM	\$260,032,536	\$0	\$322,670	\$0	\$0	\$3,298,036	\$684,033	\$4,304,739	1.66
GREENLEE	\$485,792,424	\$0	\$870,015	\$0	\$0	\$1,737,876	\$40,748	\$2,648,639	0.55
LA PAZ	\$244,805,893	\$0	\$244,806	\$0	\$789,499	\$1,513,940	\$4,094,243	\$6,642,488	2.71
MARICOPA	\$57,984,051,718	\$0	\$98,789,663	\$405,985,700	\$92,685,846	\$988,301,729	\$207,472,531	\$1,793,235,469	3.09
MOHAVE	\$3,058,629,631	\$0	\$30,540,449	\$0	\$0	\$24,231,734	\$30,694,888	\$85,467,071	2.79
NAVAJO	\$1,100,568,483	\$0	\$6,410,236	\$0	\$0	\$13,590,967	\$16,122,090	\$36,123,293	3.28
PIMA	\$9,860,980,900	\$0	\$123,491,571	\$24,987,501	\$13,943,427	\$148,126,009	\$77,890,939	\$388,439,447	3.94
PINAL	\$3,398,761,197	\$0	\$9,676,334	\$2,901,731	\$2,841,364	\$54,973,151	\$29,849,160	\$100,241,740	2.95
SANTA CRUZ	\$417,498,419	\$0	\$2,868,608	\$0	\$0	\$4,046,107	\$7,979,384	\$14,894,099	3.57
YAVAPAI	\$3,824,935,514	\$0	\$12,653,942	\$1,646,680	\$5,228,333	\$20,379,018	\$44,814,851	\$84,722,824	2.22
YUMA	\$1,477,891,304	\$0	\$14,609,595	\$0	\$4,675,211	\$11,308,151	\$923,062	\$31,516,019	2.13
TOTAL STATE	\$86,504,734,898	\$0	\$324,256,884	\$443,585,957	\$123,926,986	\$1,304,829,786	\$461,902,914	\$2,658,502,527	3.07
AVERAGE STATE SECONDARY TAX RATE PER \$100				3.07					

TAX YEAR 2008 SECONDARY PROPERTY TAX LEVIES

TAX AUTHORITY	NET ASSESSED VALUATION	STATE	COUNTY	CITIES and TOWNS	COMMUNITY COLLEGES	SCHOOLS	ALL OTHER	TOTAL	SECONDARY RATE
APACHE	\$471,596,971	\$0	\$6,843,466	\$0	\$1,988,252	\$2,652,729	\$5,008,327	\$16,492,774	3.50
COCHISE	\$1,018,740,280	\$0	\$4,534,536	\$183,661	\$0	\$11,618,656	\$9,078,381	\$25,415,234	2.49
COCONINO	\$2,057,478,154	\$0	\$9,107,640	\$7,345,050	\$2,020,293	\$23,374,450	\$18,295,259	\$60,142,692	2.92
GILA	\$574,203,136	\$0	\$1,722,609	\$150,000	\$0	\$5,699,983	\$6,946,102	\$14,518,694	2.53
GRAHAM	\$189,364,668	\$0	\$232,354	\$0	\$0	\$2,516,870	\$481,249	\$3,230,473	1.71
GREENLEE	\$445,239,742	\$0	\$788,613	\$0	\$0	\$1,857,194	\$34,898	\$2,680,705	0.60
LA PAZ	\$235,112,575	\$0	\$235,113	\$0	\$858,631	\$1,323,232	\$3,961,910	\$6,378,886	2.71
MARICOPA	\$58,303,635,287	\$0	\$98,361,011	\$395,767,107	\$95,293,956	\$922,460,582	\$204,533,281	\$1,716,415,937	2.94
MOHAVE	\$3,231,835,989	\$0	\$31,322,950	\$444,150	\$0	\$18,553,330	\$32,462,213	\$82,782,643	2.56
NAVAJO	\$998,760,072	\$0	\$5,825,597	\$0	\$1,661,175	\$13,321,938	\$14,589,888	\$35,398,598	3.54
PIMA	\$9,594,861,519	\$0	\$120,036,983	\$24,814,860	\$14,502,170	\$147,520,317	\$78,235,150	\$385,109,480	4.01
PINAL	\$3,449,599,026	\$0	\$9,557,568	\$2,769,751	\$0	\$55,470,771	\$29,455,191	\$97,253,281	2.82
SANTA CRUZ	\$404,365,519	\$0	\$2,653,693	\$0	\$0	\$6,852,222	\$6,061,300	\$15,567,215	3.85
YAVAPAI	\$3,746,625,208	\$0	\$12,399,561	\$1,939,408	\$5,264,245	\$14,776,440	\$44,656,008	\$79,035,662	2.11
YUMA	\$1,369,161,501	\$0	\$14,328,693	\$0	\$5,000,045	\$15,916,186	\$858,563	\$36,103,487	2.64
TOTAL STATE	\$86,090,579,647	\$0	\$317,950,387	\$433,413,987	\$126,588,767	\$1,243,914,901	\$454,657,720	\$2,576,525,762	2.99
AVERAGE STATE SECONDARY TAX RATE PER \$100				2.99					

All figures are current as of September 1, 2009.

NOTE: Some increase/decrease due to reporting tax levies in different authorities than in previous years.

TABLE 38
AVERAGE PROPERTY TAX RATES
PER \$100 OF ASSESSED VALUATION
TAX YEAR 2006 THROUGH TAX YEAR 2009

	2006		2007	
	PRIMARY	SECONDARY	PRIMARY	SECONDARY
School Districts	\$4.16	\$2.01	\$3.83	\$1.70
Counties	1.69	0.56	1.59	0.40
State	0.02	0.00	0.04	0.00
Cities and Towns	0.38	0.52	0.37	0.51
Community Colleges	0.97	0.18	0.91	0.15
Special Districts	0.00	0.48	0.00	0.53
	\$7.24	\$3.75	\$6.75	\$3.29
TOTAL	\$10.99		\$10.04	
	2008		2009	
	PRIMARY	SECONDARY	PRIMARY	SECONDARY
School Districts	\$3.53	\$1.44	\$3.19	\$1.51
Counties	1.48	0.37	1.42	0.37
State	0.03	0.00	0.36	0.00
Cities and Towns	0.35	0.50	0.35	0.51
Community Colleges	0.85	0.15	0.80	0.14
Special Districts	0.00	0.53	0.00	0.53
	\$6.24	\$2.99	\$6.13	\$3.07
TOTAL	\$9.23		\$9.20	

School district rate includes Unorganized School Districts.
 Figures may not add to total due to rounding.

ALL OTHER SOURCES OF REVENUE

Bingo

Estate Tax

Luxury Tax

Unclaimed Property & Escheated Estates

Waste Tire Fees

BINGO

The tax on state licensed bingo operations is based on a multi-tiered licensing structure. There are three classes of bingo licenses, each of which has a different tax rate.

Each licensee's tax rate is based on bingo receipts. Class A licensees, whose gross receipts do not exceed \$15,600 per year, are taxed at 2.5 percent of their adjusted gross receipts. (Adjusted gross receipts are the monies left after paying prizes.) Class B and Class C licensees are taxed on their gross receipts. Class B licensees, whose gross receipts do not exceed \$300,000, are taxed at 1.5 percent of their gross receipts. Class C licensees, whose gross receipts exceed \$300,000 per year, are taxed at 2 percent of their gross receipts from bingo.

All taxes collected are deposited in the state general fund. A total of \$ 531,588 was deposited in fiscal year 2009 (*Refer to Table 39*).

TABLE 39
BINGO COLLECTIONS
FISCAL YEAR 2004-05 THROUGH FISCAL YEAR 2008-09

Fiscal Year	Amount
2004-05	\$610,055
2005-06	\$623,480
2006-07	\$619,387
2007-08	\$558,330
2008-09	\$531,588

BINGO COLLECTIONS

	FY2004-05	FY2005-06	FY2006-07	FY2007-08	FY2008-09
Licenses	\$19,070	\$18,788	\$18,092	\$18,393	\$19,735
Proceeds	585,289	599,400	596,773	539,576	510,177
Penalty, Interest and Miscellaneous	5,697	5,292	4,522	361	1,676
TOTAL	\$610,055	\$623,480	\$619,387	\$558,330	\$531,588

ESTATE TAX

Arizona's Estate Tax was effectively repealed January 1, 2005, following the IRS's elimination of the Federal State Death Tax Credit. No Arizona estate tax is owed on the estate of a person who dies after 2004 and there is no requirement to file an Arizona Form 76. We will continue to receive late original returns and amended tax returns for decedents with a date of death prior to 2005 as it can take years to settle a complicated estate.

The Arizona estate tax is a tax on the transfer of property or interest in property that takes effect upon the owner's death. The estate tax is imposed on the net taxable estate before distribution, differing from the inheritance tax, which is imposed on the portion of the estate received by a beneficiary. Arizona does not impose inheritance or gift taxes. Estate taxes are deposited into the state general fund. (*Refer to Table 40.*)

The Special Taxes Unit of the Arizona Department of Revenue is responsible for the collection of estate taxes and the processing of estate tax returns and reports of personal representative of decedent.

Only estates that are required to file a federal estate tax return are required to file an Arizona Estate Tax return.

The Arizona estate tax for an Arizona resident decedent is an amount equal to the federal credit for state death taxes. If the decedent owned real or tangible personal property located in another state, the Arizona tax is reduced by either the amount of death tax paid to the other state or a prorated share of the federal credit, whichever is less.

The Arizona estate tax for a nonresident decedent is a prorated share of the federal credit, based on the value of real property and tangible personal property having actual situs in Arizona this year.

TABLE 40
COLLECTIONS OF ESTATE TAXES
FISCAL YEAR 2004-05 THROUGH FISCAL YEAR 2008-09

Fiscal Year	Collections	Refunds	Net
2004-05	\$32,811,705	\$1,575,639	\$31,236,066
2005-06	\$13,275,666	\$1,592,063	\$11,683,603
2006-07	\$860,033	\$1,410,797	(\$550,763)
2007-08	\$414,711	\$94,508	\$320,203
2008-09	\$234,065	\$23,693	\$210,372

Figures may not add to total due to rounding.

LUXURY TAX

Arizona's luxury tax applies to cigarettes, other tobacco products, and alcoholic beverages. The department is responsible for issuing tobacco licenses and stamps and collecting taxes on tobacco products and alcoholic beverages. The department also investigates and confiscates contraband tobacco products. During the 2009 fiscal year, over \$437 million was received in luxury tax collections.

Of the monies collected per the Tobacco Products Referendum (Prop 303), \$46.8 million was distributed to the Prop 204 Protection Account, \$30.1 million to the Medically Needy Account, \$22.3 million for Emergency Health Services, \$5.5 million for Health Research, and \$2.2 million for Health Education. Due to the passage of the Tobacco Tax and Health Care Initiative in November 1994, \$53.5 million was distributed to the Medically Needy Fund, \$18.3 million to the Health Education Fund and \$3.8 million to the Health Research Fund. The Corrections Fund, established by the Legislature in 1984 to pay for prison construction, received \$26.9 million. The Drug Treatment and Education Fund received \$8.4 million, and the Corrections Revolving Fund received \$3.4 million due to the passage of Proposition 200 in 1994. The Smoke Free AZ fund received \$2.9 million due to the passage of Proposition 201 in 2006. The Early Childhood Development and Health Fund received \$151.4 million due to the passage of Proposition 203 in 2006. The remaining \$57.9 million was deposited into the state general fund. (*Refer to Table 41*)

Luxury Tax Rates

per cigarette	\$ 0.10
package of 20	\$ 2.00
package of 25	\$ 2.50

Cigars

small cigars weighing not more than 3 lbs/1,000 package of 20 or less	\$ 0.441
selling for \$0.05 or less (each 3 cigars)	\$ 0.218
selling for more than \$0.05 (each cigar)	\$ 0.218

Smoking Tobacco

snuff, fine cut, chewing, etc. (per ounce)	\$ 0.223
Cavendish, plug, or twist (per ounce)	\$ 0.055

Spirituos Liquors

per gallon	\$ 3.00
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Vinous Liquors more than 24% alcohol (per gallon)	\$ 4.00
--	---------

Vinous Liquors less than 24% alcohol (per gallon)	\$ 0.84
--	---------

Malt Liquor (Beer)

per gallon	\$ 0.16
per barrel (31 gallons)	\$ 4.96

TABLE 41
LUXURY TAX COLLECTIONS
FISCAL YEAR 2004-05 THROUGH FISCAL YEAR 2008-09

SOURCE:	FY2004-05	FY2005-06	FY2006-07	FY2007-08	FY2008-09	PERCENT OF COLLECTIONS IN FY2008-09
Spirituos Liquor	\$25,085,444	\$26,392,315	\$27,674,933	\$27,613,939	\$28,341,033	6.5%
Vinous Liquor	11,473,203	11,509,865	10,755,478	13,006,487	13,006,125	3.0%
Malt Liquor	22,664,420	23,245,180	24,758,494	23,936,126	22,831,547	5.2%
Liquor Collections	\$59,223,067	\$61,147,360	\$63,188,905	\$64,556,551	\$64,178,705	
Tobacco - All Types						
Gross Revenue	290,948,888	\$302,509,034	\$363,934,467	\$412,769,855	\$380,593,991	
Refunds	(5,109,215)	(4,040,057)	(5,317,826)	(4,761,258)	(6,251,626)	
Licenses	5,325	5,900	8,100	7,100	7,075	
Administrative Expenses	(445,507)	(468,675)	(502,860)	(587,463)	(646,800)	
Net Tobacco Collections	\$285,399,491	\$298,006,202	\$358,121,881	\$407,428,234	\$373,702,640	85.3%
TOTAL COLLECTIONS	\$344,622,558	\$359,153,562	\$421,310,786	\$471,984,785	\$437,881,344	100.0%

DISTRIBUTIONS:

State General Fund	\$64,446,627	\$66,732,468	\$65,808,829	\$61,037,231	\$57,878,187	
Wine Promotional Fund (4)	34,667	38,481	35,965	29,003	----	
Tobacco Tax & Health Care Fund (1)	96,540,601	100,765,613	94,770,504	79,033,025	73,785,519 (5)	
Tobacco Products Tax Fund (1)	138,521,611	145,399,774	137,624,177	116,127,254	108,934,079 (5)	
Drug Treatment & Education Fund	7,894,513	8,096,444	8,323,287	8,576,309	8,434,654	
DOC Revolving Fund	3,139,770	3,221,929	3,313,709	3,411,936	3,358,868	
Department of Corrections Fund	28,049,051	28,480,322	28,697,521	28,703,383	26,861,628	
DOC Transfer from Prop 200 Funds	226,191	363,099	783,145	1,479,783	1,855,867	
Prop 200 Transfer from Prop 303 Funds (1)	5,769,526	6,055,432	5,729,557	4,835,440	2,539,738	
Smoke Free AZ (2)	----	----	1,778,847	3,946,308	2,868,990	
Early Childhood Development and Health Fund (3)	----	----	74,445,246	164,805,113	151,363,815	
TOTAL DISTRIBUTIONS	\$344,622,558	\$359,153,562	\$421,310,786	\$471,984,785	\$437,881,344	

- (1) In November 2002, Proposition 303 increased the Luxury tax on cigarettes from \$0.029 to \$0.059 per cigarette and created the Tobacco Products Tax Fund. Tax rates on other tobacco products also increased. Distributions of the increased rates are made to the Tobacco Products Tax Fund. Proposition 303 also changed the name of the Health Care Fund to the Tobacco Tax & Health Care Fund and established a hold harmless fund for the Prop 200 accounts.
- (2) In December 2006, Proposition 201 increased the Luxury tax on cigarettes from \$0.059 to \$0.061 per cigarette and created the Smoke Free Arizona Fund. Tax rates on other tobacco products were not increased. Distribution of the increased cigarette rate is made to the Smoke Free Arizona Fund.
- (3) In December 2006, Proposition 203 increased the Luxury tax on cigarettes from \$0.061 to \$.10 per cigarette and created the Early Childhood Development and Health Fund. Tax rates on other tobacco products were also increased. Distributions of the increased rates are made to the Early Childhood Development and Health Fund.
- (4) The Wine Promotional Fund ended in FY05. Distributions were completed in FY08.
- (5) The Tobacco Tax & Health Care Fund and the Tobacco Products Fund holding accounts had undistributed balances of \$706,653.52 and \$1,943,037.88 respectively at the end of fiscal year 2009. These amounts will be distributed in fiscal year 2010.

Figures may not add to total due to rounding.

UNCLAIMED PROPERTY

Responsibilities of the Unclaimed Property Program include the collection, safekeeping, and disposition of abandoned property and escheated estates.

The Unclaimed Property staff establishes and maintains records of these types of funds along with other tangible personal property that is presumed to be abandoned. This property is received from business associations, banking and financial institutions, insurance companies, utility companies, fiduciaries, state courts, and governmental agencies.

The most common examples of unclaimed property are:

- State warrants not cashed after six months.
- Payroll checks written to employees not cashed after one year.
- Contents of safe deposit boxes on which rent has not been paid for three years.
- Government and Court property not claimed in three years.
- Stock or other equity interest in a business association or financial institution with no activity for three years.
- Bank or credit union accounts with no activity for five years.
- Cashier and other official checks not cashed in five years.
- Checks written to vendors or customers not cashed after five years.
- Money orders not cashed in seven years.
- Traveler's checks not cashed in fifteen years.

There is no statute of limitations for filing a claim for unclaimed property. Owners may recover their property at any time with proper documentation.

ESCHEATED ESTATES

In addition to their Unclaimed Property responsibilities, staff members also establish and maintain records of Escheated Estates. An Escheated Estate is created when a person dies without leaving a will and has no known heirs. When this condition exists, his or her property reverts to the state as the original and ultimate proprietor after seven years. Funds received from escheated estates are deposited into the permanent school fund. (*Refer to Table 42.*)

TABLE 42
COLLECTIONS AND DISTRIBUTION OF UNCLAIMED PROPERTY
FISCAL YEAR 2004-05 THROUGH FISCAL YEAR 2008-09

SOURCE:	FY2004-05	FY2005-06	FY2006-07	FY2007-08	FY2008-09	PERCENT OF COLLECTIONS IN FY2008-09
UNCLAIMED PROPERTY	\$83,063,365	\$69,705,035	\$97,125,191	\$136,446,760	\$74,337,392	
Refunds	(16,241,154)	(17,693,745)	(22,541,073)	(27,859,528)	(22,267,197)	
Expenses	(1,459,889)	(1,564,120)	(3,112,161)	(5,555,692)	(2,099,913)	
NET	\$65,362,322	\$50,447,170	\$71,471,956	\$103,031,540	\$49,970,281	99.6%
ESCHEATED ESTATES	731,836	562,510	552,507	647,669	643,679	
Refunds	(339,712)	(195,735)	(7,679)	(281,484)	(466,307)	
NET	\$392,124	\$366,776	\$544,828	\$366,184	\$177,373	0.4%
TOTAL NET REVENUE	\$65,754,446	\$50,813,946	\$72,016,784	\$103,397,724	\$50,147,654	100.0%
DISTRIBUTIONS:						
General Fund	9,423,140	10,256,152	11,703,745	9,755,359	9,526,605	
Housing Fund	23,942,665	26,004,597	40,972,902	33,684,313	28,554,062	
Ladewig	21,292,088 (2)	3,704,599 (2)	0 (3)	0	0	
Kerr -----		-----	83,340 (4)	0	0	
Utility Assistance Fund	1,664,467	855,505	2,550,675	26,336 (6)	-----	
Racing Fund	8,706,424	9,456,217	14,899,237	12,248,841	10,383,295	
Victim Restitution Fund	299,565	128,281	1,250,347	173,068	144,618	
HB 2786 Sec Sale	-----	-----	-----	47,132,471 (5)	0	
Operating transfers	-----	-----	-----	-----	1,352,600 (7)	
Net to Permanent School Fund:						
Escheated Estates	392,124	366,776	544,828	366,184	177,373 (1)	
Unclaimed Shares/dividends	29,359	18,955	9,482	7,208	6,719	
Storage Facility	4,614	22,865	2,227	3,944	2,383	
TOTAL DISTRIBUTION	\$65,754,446	\$50,813,946	\$72,016,784	\$103,397,724	\$50,147,654	

(1) FY 09 Escheated Estates will be transferred in FY 10.

(2) Ladewig Unclaimed Property for FY05 and FY06 is to be deposited to the State General Fund, per SB1524

(3) Ladewig Claims paid during FY07 exceeded their collections; therefore no transfer was required

(4) Kerr Unclaimed Property for FY07 is to be deposited to the State General Fund, per HB2867

(5) Proceeds from the sale of securities in FY08 were deposited in the General Fund per HB 2786, Chapter 260, 1st Regular Session, 2007

(6) FY08 was the final year for the Utility Assistance Fund transfer.

(7) Pursuant to SB 1001, Chapter 1, 1st Special Sesion, 2009.

Figures may not add to total due to rounding

WASTE TIRE

The Arizona waste tire fee is a fee applied to the sale of new motor vehicle tires. The fee is to be collected quarterly at a rate of two percent of the purchase price not to exceed two dollars per tire.

During fiscal year 2009, the department collected \$7,890,076 and distributed 3.5% percent to the Arizona Department of Environmental Quality with the remainder being distributed to the counties based on the number of motor vehicles registered in the county (*Refer to Tables 43*). The distribution is performed quarterly.

TABLE 43
WASTE TIRE FEE DISTRIBUTIONS
FISCAL YEAR 2004-05 THROUGH FISCAL YEAR 2008-09

COUNTY	FY2004-05	FY2005-06	FY2006-07	FY2007-08	FY2008-09
Apache	\$104,593	\$101,645	\$105,927	\$103,134	\$95,378
Cochise	218,301	215,348	223,763	216,915	199,557
Coconino	210,871	204,129	211,377	205,128	187,696
Gila	113,751	111,143	116,236	112,443	103,035
Graham	47,489	46,809	49,226	49,073	46,443
Greenlee	15,401	15,008	15,915	16,192	15,263
La Paz	48,427	47,146	49,332	47,522	44,034
Maricopa	4,452,595	4,742,763	4,995,305	4,814,030	4,319,137
Mohave	375,524	387,372	413,274	403,198	366,003
Navajo	169,024	165,729	174,781	171,073	157,354
Pima	1,138,071	1,136,415	1,190,164	1,152,277	1,047,700
Pinal	272,484	291,962	353,172	369,984	354,234
Santa Cruz	78,802	78,006	80,076	78,644	72,277
Yavapai	386,285	391,322	416,633	406,174	369,189
Yuma	246,759	246,469	258,530	254,235	236,624
Arizona Department of Environmental Quality	285,744	296,730	313,865	304,664	276,153
Total	\$8,164,120	\$8,477,996	\$8,967,577	\$8,704,684	\$7,890,076

Figures may not add to total due to rounding.

LEGISLATIVE SUMMARY

LEGISLATIVE SUMMARY

The following is intended to give a brief summary of the 2009 tax-related legislation from the Forty-ninth Legislature – First Regular Session and Second Special Session impacting the Department of Revenue (DOR) and not intended to discuss the details of any specific enactment. Please refer to the particular legislation for more definitive information.

The general effective date for legislation is September 30, 2009. All legislation will have this effective date unless otherwise noted in the summary.

Copies of these bills can be downloaded at www.azleg.state.az.us/FinalDisposition.asp or may be requested from the Secretary of State's Office by calling (602) 542-4086.

Income Tax

House Bill 2083 (Chapter 33)

2009 tax corrections act

See summary under Multiple Tax Types.

Senate Bill 1185 (Chapter 2)

Technical correction; disincorporation (NOW: conformity; internal revenue code)

- SB 1185 updates Arizona's definition of internal revenue code to include all Internal Revenue Code provisions that were in effect as of January 1, 2009.
- Tax year 2008 includes all Internal Revenue Code provisions passed with retroactive federal effective dates between December 31, 2007 and December 31, 2008 which includes the Economic Stimulus Act of 2008, the Heartland, Habitat, Harvest and Horticulture Act of 2008, the Heroes Earning Assistance and Relief Tax Act of 2008, the Housing Assistance Tax Act of 2008, the Emergency Economic Stabilization Act of 2008, and the Worker, Retiree, and Employer Recovery Act of 2008.
- Effective on signature of the Governor (April 9, 2009)

House Bill 2286 (Chapter 80)

Tax Credit; Charitable Organizations

- HB 2286 modifies the Arizona income tax credit for contributions to charities that provide assistance to the working poor. The definition of the term "qualifying charitable organization" has been expanded to include organizations that provide qualifying services to chronically ill or physically disabled children who are Arizona residents. Taxpayers are no longer required to establish a baseline year in a year prior to the year in which the credit is claimed and the credit is restricted to taxpayer's who itemize deductions for the taxable year.
- In order for an organization to receive contributions that qualify for the credit, the organization must verify it's I.R.C. § 501(c)(3) tax exempt status or that it is a designated community action agency that receives community services block grant money, provide financial data concerning the prior year's budget and the amount of that budget spent on services to Arizona residents who are TANF recipients, or who are low income Arizona residents, or who are chronically ill or physically disabled children, submit a statement that the organization will continue to spend at least 50% of its budget on low income Arizona residents, or Arizona residents that receive TANF, or chronically ill or physically disabled children.
- The department is required to review charitable organizations' written certification and either approve the certification or disallow the certification. All charities that have previously self-certified must submit another written

certification verifying that they meet the statutory certification requirements. The department will review the certifications and will determine whether the organization is a qualifying organization. If an organization fails to resubmit a certification, the organization will no longer be considered a qualifying organization and the department will remove that organization from its published list. However, if the organization later resubmits the information, it may be added to the list if the department determines that the organization qualifies.

House Bill 2287 (Chapter 167)

Tax Credits; Withholding Tax Reduction

- HB 2287 allows employees to request that their employer reduce their withholding by the amount of the tax credit the employee intends to claim for contributions to a school tuition organization, charitable organization or public school when filing the related tax return. The employee must supply his employer with the name of the charitable organization that will be receiving the donation and the total amount he wishes to donate.
- Employers may or may not agree to honor the employee's request. If employers agree to honor the employee's request, they will reduce the employee's withholding by the amount requested by the employee, but not below zero, prorated over the rest of the employee's taxable year. If the employer agrees to reduce the employee's withholding, the employer must make quarterly payments to the charitable organization on behalf of the employee and provide statements of withholding to the employee and the Department of Revenue on a calendar year basis or when employment terminates. The employer is responsible and accountable to the charitable organization, employee and Department of Revenue for actually making the required payments.

Senate Bill 1373 (Chapter 116)

Income tax returns; penalties

SB 1373 precludes taxpayers from being subjected to penalties for filing an extension with less than 90% of the taxes paid and the penalties for failing to pay 100% of the amount of tax that is due.

Senate Bill 1403 (Chapter 96)

Renewable, high-wage industries incentives

- SB 1403 adds refundable corporate and individual income tax credits as well as special property tax rates for expanding or locating qualified renewable energy technology operations in Arizona.
- Renewable energy businesses are required to submit applications to the Arizona Department of Commerce (ADOC) for certification as a qualifying business to participate in the tax incentive program. The applicant must provide records of expenditures for qualifying investments and provide information regarding the amount of tax benefits claimed each year to ADOC. The project may be subject to site visits by ADOC. ADOC is required to perform audits to verify the applicant's continuing compliance with tax incentive requirements.
- To qualify for individual and corporate income tax credit, a renewable energy business is required to make new capital investment in manufacturing or in regional, national or global business headquarters, pay a wage that equals or exceeds 125% of the median annual wage in this state for 51% or more of new full-time employees (FTE's) at the qualifying facility and pay 80% or more of the premium for all FTE's health insurance coverage.
- The income tax credit is a maximum of 10% of the taxpayer's total capital investment if the capital investment ratio is a manufacturing facility that creates at least 1.5 FTE positions for each \$500,000 increment or a headquarters that creates at least 1 FTE position for each \$200,000 increment. Qualifying projects that do not meet this employment to capital investment ratio, the credit is 10% of \$500,000 per 1.5 new FTE positions in manufacturing facilities or \$200,000 per 1 new FTE positions in headquarters. The tax credits are refundable and

the taxpayer is required to claim the credit in five equal installments over five consecutive taxable years.

- Seventy million per taxable year is eligible to be approved. Unclaimed tax credit amounts carry over to the next tax year.
- A capital investment of \$25 million or more in facilities, equipment, land and infrastructure qualifies an eligible renewable energy operation certified by ADOC to be designated as class 6 property with a 5% assessment ratio. A qualifying headquarters or manufacturing facility is eligible to be classified as class 6 properties for 10 years if 51% or more of the FTE's are paid 125% to 199% of the annual median wage of this state or 15 years if 51% or more of FTE's are paid 200% or more of the annual median wage of this state. Renewable energy businesses must provide annual documentation to the county assessor that the facility is engaged in renewable energy manufacturing or is a regional, national or global headquarters.

House Bill 2001, Second Special Session, (Chapter 1)

Scholarships; disabled or displaced students

- HB 2001 establishes a corporate income tax credit and insurance premium tax credit for contributions made to a school tuition organization (STO) that provides educational scholarships or tuition grants to disabled students and displaced students in a foster care program.
- Tax credits are limited to \$5 million dollars in any fiscal year.

Transaction Privilege Tax/ Use Tax

House Bill 2371 (Chapter 103)

Tax credit; coal consumption (NOW: utilities; confidential information)

HB 2371 allows the Department of Revenue (DOR) to provide the name and address of qualifying hospitals or health care organizations to utility companies for the purpose of verifying an exemption under the utilities classification of the transaction privilege tax.

House Bill 2572 (Chapter 122)

Sports authority districts

Authorizes the Pima County Board of Supervisors to form a Sports Authority District and ask voters to approve taxing and bonding authority building and financing Cactus League and youth sports facilities in Pima County.

The excise tax would be imposed on the following activities at the following rates:

- Car rentals - .35%
- Hotels/motels - .45%
- Restaurants and bars - .25%
- Amusements and sporting events - .35%
- Retail activities - .15%

Property Tax

House Bill 2083 (Chapter 33)

2009 tax corrections act

See summary under Multiple Tax Types.

House Bill 2314 (Chapter 169)

Property valuation; telecommunications companies

HB 2314 provides a method for reducing the personal property tax valuation of telecommunications companies by decreasing the minimum percent in the valuation tables from 20% to 10%.

House Bill 2332 (Chapter 101)

School; energy contracts

HB 2332 stipulates that for property valuation purposes, grid-tied photovoltaic systems have no value and add no value to the property on which a system is installed.

Qualified energy efficient building components, renewable energy equipment and combined heat & power systems also are considered to add no value to property. Documentation must be provided to the County Assessor no later than six months before the issuance of the notice of full cash value, and must include actual acquisition and installation costs. If the component is added after September 30, the documentation is due to the County Assessor on or before March 31 of the initial valuation year.

House Bill 2346 (Chapter 87)

Charter schools; leased property

HB 2346 classifies property that is leased to a nonprofit charter school if it used for educational purposes as class nine, with an assessment ratio of one percent of assessed value. Only the property that is actually used by the nonprofit charter school for educational purposes is included as class nine. Property owners who lease to a nonprofit charter school must file an affidavit with the county assessor stating that the charter school will be the sole beneficiary of the change in property classification and that the lease rate is comparable to other tenants.

Senate Bill 1421 (Chapter 118)

Special districts; secondary levy limits:

SB 1421 establishes levy limits on secondary property taxes for fire districts not to exceed \$3.25 per \$100 of assessed valuation or an 8% increase over the amount levied in the preceding year plus any amounts attributable to annexations, whichever is less.

In a general election, voters may approve either a permanent override or a five-year temporary override if net assessed values decline by 20% or more over two consecutive years. A permanent override would maintain the \$3.25 tax rate limit but allow annual levies without reference to the levy in the preceding year. A five-year temporary override would allow a tax rate to exceed \$3.25 per \$100 of assessed valuation but limit the levy to a 5% increase over the previous year's actual levy.

The Property Tax Oversight Commission (PTOC) is required to review the secondary property tax levy limits and tax revenues collected for all fire districts to determine violations. Fire Districts must report to the PTOC the assessed value of all property annexed in the preceding year. A fire district may request a PTOC hearing to resolve disputes in the Commission's findings. The Department of Revenue serves as staff to the PTOC.

Multiple Tax Types

House Bill 2083 (Chapter 33)

2009 tax corrections act

HB 2083 makes technical, conforming and clarifying changes to Arizona tax statutes.

Provisions:

- Clarify in multiple locations that the legal classification of property may be appealed, not simply the valuation of the property. This includes appeals at the Assessor, County Board of Equalization and State Board of Equalization levels.
- Correct punctuation and incorrect word in A.R.S. § 42-13053. The word "or" is used in place of "of" making the statute confusing.

- Clarify that a personal property appeal to the State Board of Equalization should be done according to Chapter 16, article 4, title 42.
- Repeal obsolete session law. (2000, Chapter 84, Sections 8 through 18 of HB 2331, Laws 2005, Chapter 131, Section 8 of HB 2252).
- Clarifies that the increase to the research and development tax credit approved in the '08 session applies to taxable years, rather than calendar years.
- Makes other technical and conforming changes.

This bill becomes effective on the general effective date, with a retroactive provision as noted.

House Bill 2288 (Chapter 168)

Premium tax credit; Student Tuition Organization contribution

HB 2288 allows insurers to take a tax credit against their insurance premium tax liability for donations to Student Tuition Organizations (STO). The sunset date of June 30, 2011 for the corporate income tax credit was eliminated, making the credit permanent. Originally capped at \$10.0 million in FY 2007, the credit increases by 20% in each successive year.