
ARIZONA DEPARTMENT OF REVENUE

2012 ANNUAL REPORT

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STATE OF ARIZONA

Department of Revenue



November 15, 2012

The Honorable Janice K. Brewer
Governor of the State of Arizona
1700 West Washington Street, 9th floor
Phoenix, Arizona 85007

Janice K. Brewer
Governor

John A. Greene
Director

Dear Governor Brewer:

Here is your Department of Revenue's 2012 Annual Report.

In an effort to better serve you and the citizens of Arizona, we spent some time in fiscal year 2012 assessing our resources, focusing on our core business processes and planning for the future. Our recent strategic planning sessions helped us identify key issues to address in order for us to continue to be successful. We also plan to work closely with your new Government Transformation Office to make your Department of Revenue more efficient and effective.

Some key information is that total taxes collected by the department during fiscal year 2012 exceeded \$13.0 billion, including more than \$7.1 billion that was deposited directly into the state General Fund. Included in this total is over \$484 million that was collected through the department's tax enforcement efforts. By collecting over \$484 million through the audit, license compliance, and collections programs, the department nearly met its \$501 million target set at the beginning of the year; performing at 97% of goal.

In addition to these milestones in tax administration, Department of Revenue employees achieved several noteworthy accomplishments in fiscal year 2012 including: processing over 5.6 million tax documents; processing over 40,000 new business licenses, and receiving, processing and depositing 4.1 million payments. You can view more of these accomplishments by division in the "Division Highlights" section of this report.

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.

Thanks to the *esprit de corps* and hard work of our employees, the department continues to provide superior tax administration services to Arizona.

Thank you for your leadership.

Please contact me if you require any additional information.

Sincerely,

John Greene
Director

DEPARTMENT ORGANIZATION

Organization & Organization Chart

Strategic Plan Highlights

Administrative Services

Audit

Collections

Information Technology

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Tax Policy & Research

Organization

The mission statement of the Department of Revenue is to serve the people of Arizona by administering tax laws with integrity, fairness and efficiency. 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.

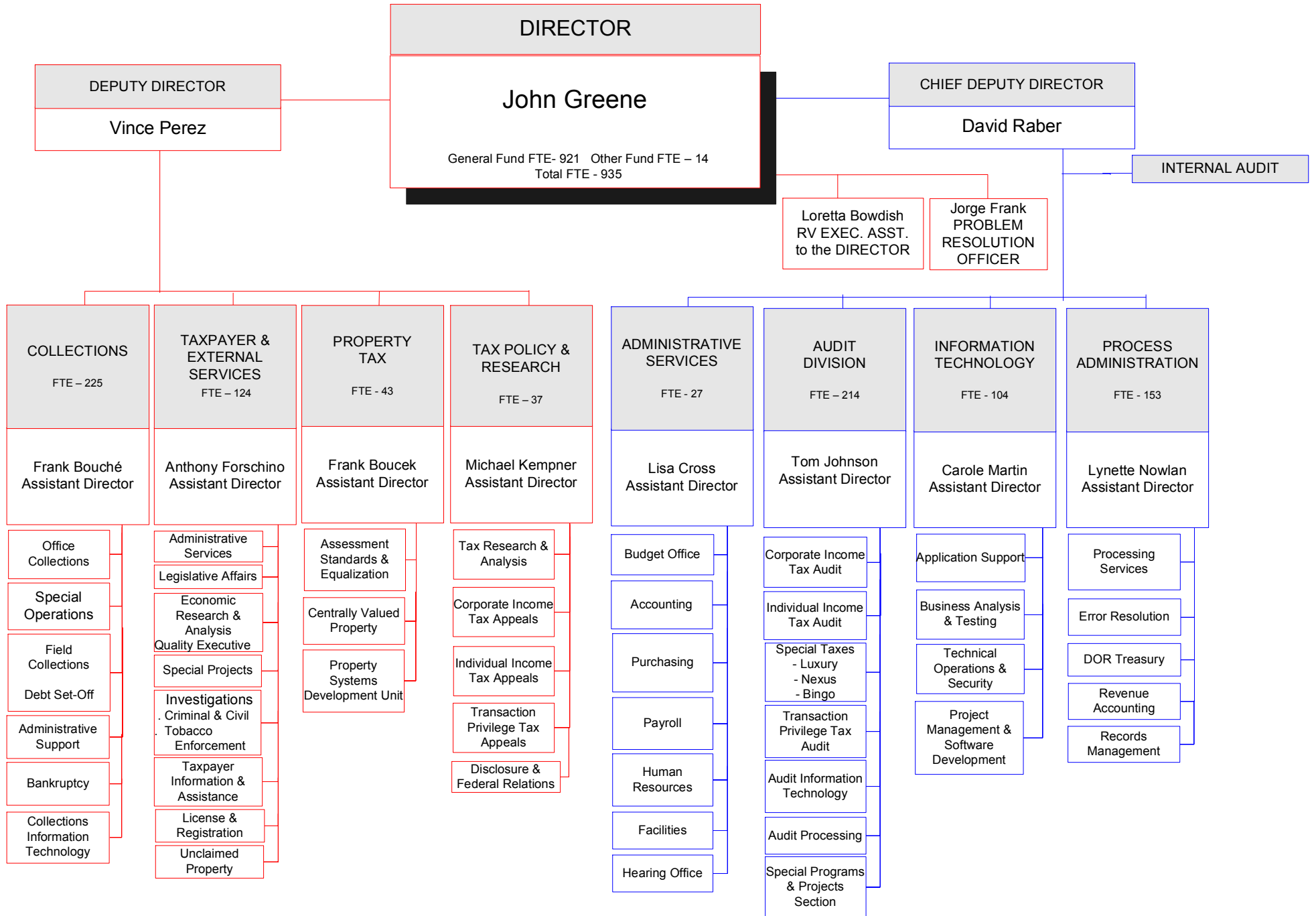
The director is responsible for the direction, operation, and control of the department to ensure that the administration and collection of taxes are cost effective and performed with high quality to meet taxpayers' needs.

The chief deputy director and deputy director report to the director. The chief deputy director assists the director in the day-to-day operations of the

department serving 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 the chief 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 eight divisions, each managed by an assistant director. Divisions include: Administrative Services, Audit, Collections, Information Technology, Process Administration, Property Tax, Taxpayer and External 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.

ARIZONA DEPARTMENT OF REVENUE



Strategic Plan Highlights

MISSION, VISION, VALUES

The Mission Statement of the Department of Revenue is “to serve the people of Arizona by administering tax laws with integrity, fairness and efficiency”. This statement of purpose guides our direction, agency actions and decision making.

Our Vision Statement, “to set the standard for tax services”, identifies the marker for the kind of agency we want to become and what we hope to achieve.

Our company culture is defined by embracing values that are shared among all employees. Our Values are:

- Accountability – in actions and work activities. We take responsibility for the work we do.
- Accuracy – by exercising care in doing our jobs and following established policies and procedures.
- Creativity – in the way we approach our work and serve our customers.
- Integrity – we have high ethical standards and make decisions based on facts.
- Respect – for co-workers, customers and our Mission.
- Results – by setting expectations in our actions and operations to achieve desired outcomes.
- Service – to our customers. We listen and try to resolve issues fairly and consistently.

GOALS AND OBJECTIVES

We continue to focus on our three core goals:

- 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 2012 are presented as well as comparisons to prior years.

TOTAL GROSS REVENUES COLLECTED

FY11

Transaction Privilege Tax	\$6,951,173,293
Income & Withholding	\$4,101,777,020
Corporate	\$ 659,266,690
Other	\$ 547,627,761
Total	\$ 12,259,844,763

FY12

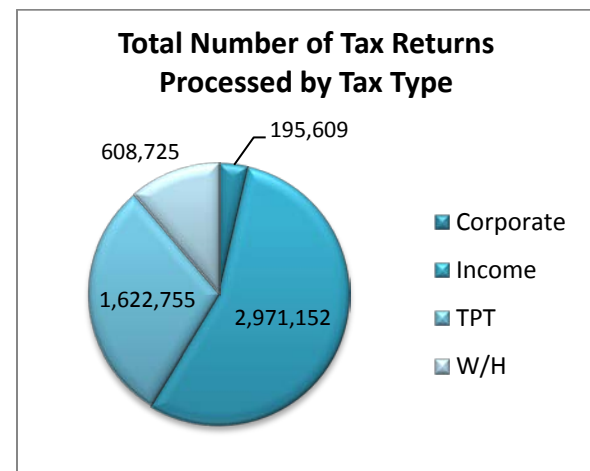
Transaction Privilege Tax	\$7,330,738,929
Income & Withholding	\$4,370,704,272
Corporate	\$ 758,413,453
Other	\$ 544,171,647
Total	\$ 13,004,028,301

Detailed gross revenues are reported under Table 1.

TOTAL NUMBER OF TAX RETURNS PROCESSED BY TAX TYPE

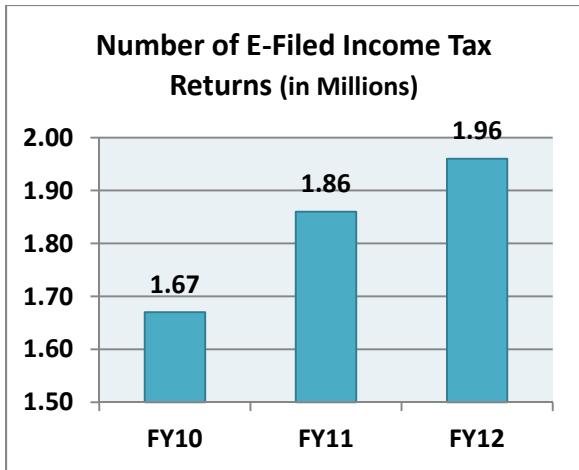
All tax returns are processed through the BRITS system.

Corporate Income Tax	195,609
Individual Income Tax	2,971,152
Transaction Privilege	1,622,755
Withholding	608,725
Total Returns Processed.....	5,398,241



TOTAL NUMBER OF E-FILED INDIVIDUAL INCOME TAX RETURNS RECEIVED

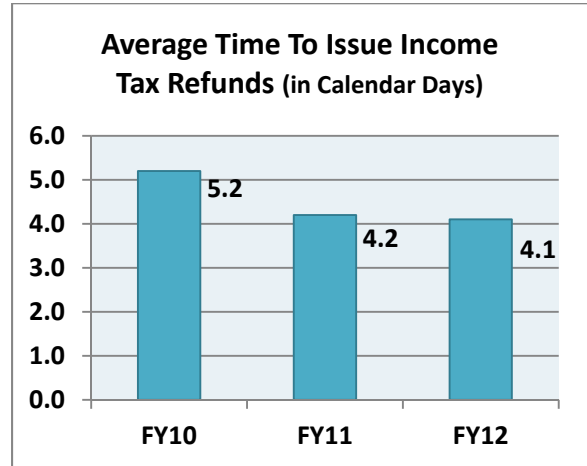
FY10	1.67M
FY11	1.86M
FY12	1.96M



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. A portion of those electronic filers also elect to receive their refunds electronically via direct deposit.

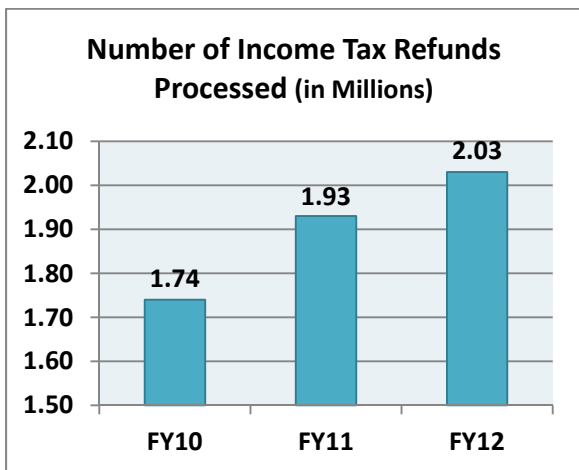
FY10	5.2 days
FY11	4.2 days
FY12	4.1 days



TOTAL NUMBER OF INDIVIDUAL INCOME TAX REFUNDS

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

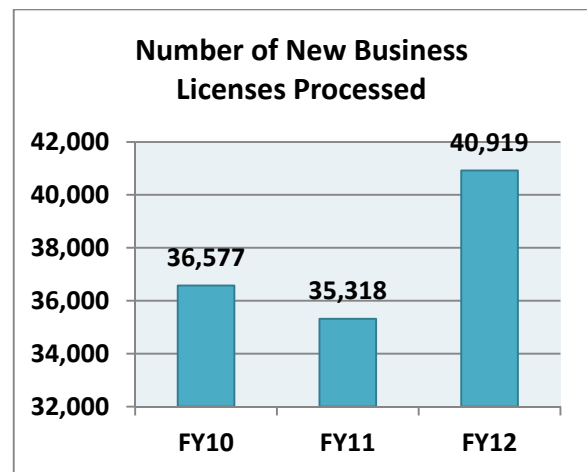
FY10	1,742,324
FY11	1,932,100
FY12	2,031,879



NUMBER OF NEW BUSINESS LICENSES PROCESSED

New business licenses are processed at walk-in counters, through the mail and via on-line services.

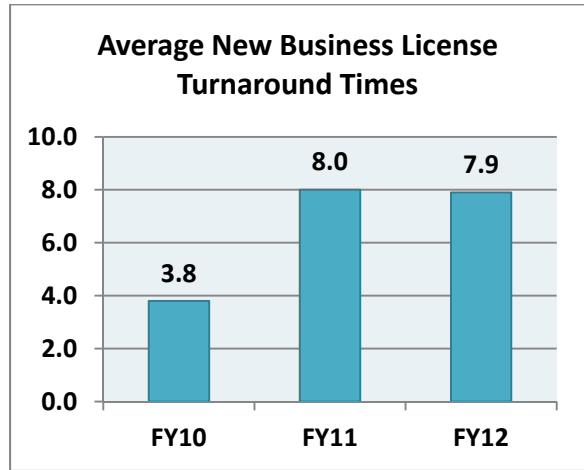
FY10	36,577
FY11	35,318
FY12	40,919



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. Higher turnaround times were due to turnover and staffing freeze.

FY10	3.8 days
FY11	8.0 days
FY12	7.9 days

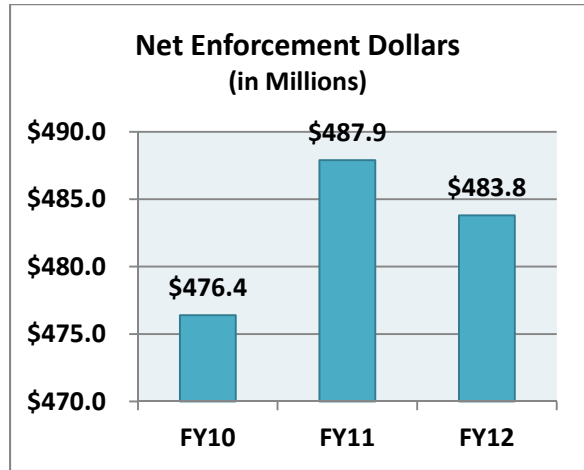


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**TOTAL NET ENFORCEMENT DOLLARS**

Total net enforcement dollars represent all revenue collected by collectors and auditors through our various enforcement programs.

|            |                |
|------------|----------------|
| FY10 ..... | \$ 476,471,539 |
| FY11 ..... | \$ 487,948,450 |
| FY12 ..... | \$ 483,890,612 |



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NET ENFORCEMENT REVENUE WITH GENERAL FUND TOTALS

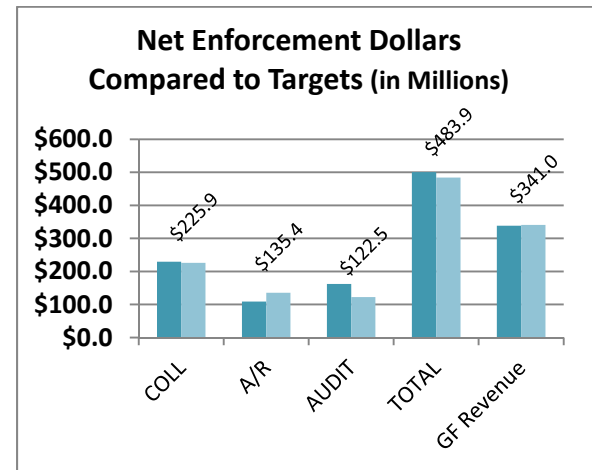
The enforcement program generated results at 96.7% of goal, almost reaching fiscal year 2012 targets. This chart also shows how much of the enforcement revenues went to the General Fund.

FY12 Net Targets

Collections	\$229.4M
Accounts Receivable	\$109.1M
All Audit	\$162.0M
Total Revenue	\$500.5M
General Fund Revenue	\$338.2M

FY12 Net Actual

Collections	\$225.9M
Accounts Receivable	\$135.4M
All Audit	\$122.5M
Total Revenue	\$483.9M
General Fund Revenue	\$341.0M

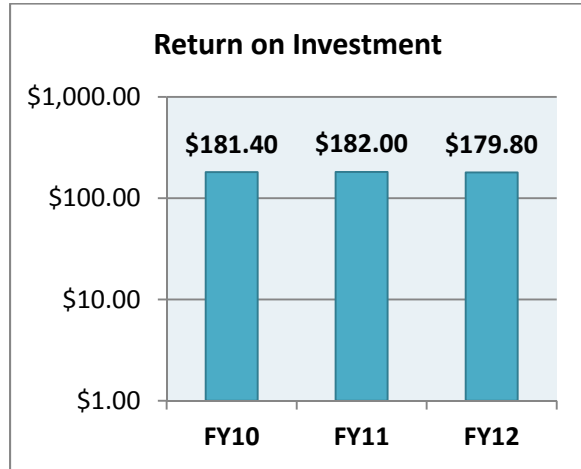


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**RETURN ON INVESTMENT**

Return on investment is calculated by dividing the total number of gross revenue dollars received and processed by the department’s total operating budget. For fiscal year 2012, \$179.80 was produced for each dollar spent in the total DOR budget.

|            |          |
|------------|----------|
| FY10 ..... | \$181.40 |
| FY11 ..... | \$182.00 |
| FY12 ..... | \$179.80 |

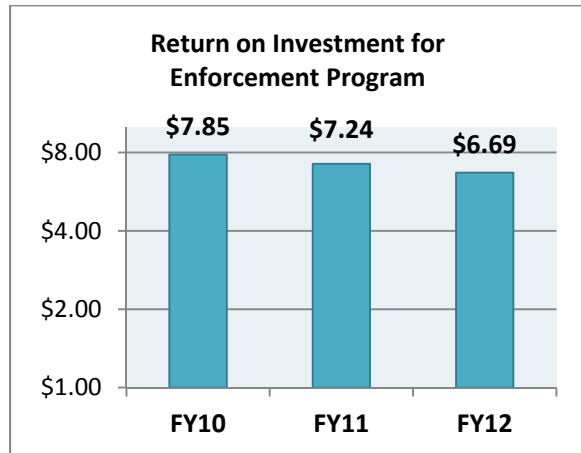


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RETURN ON INVESTMENT FOR ENFORCEMENT PROGRAM

The return on investment for the enforcement program is calculated by dividing the total number of net enforcement dollars collected by the department’s total operating budget. For fiscal year 2012, \$6.69 of enforcement revenue was collected for each dollar spent in the total DOR budget.

FY10	\$7.85
FY11	\$7.24
FY12	\$6.69



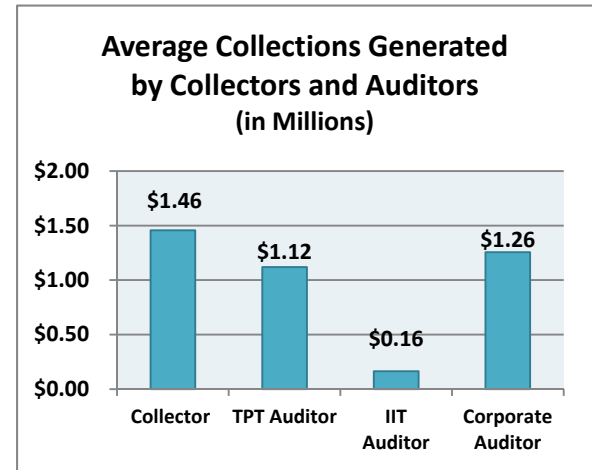
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**AVERAGE COLLECTOR AND AUDITOR**

**PRODUCTIVITY**

|                         |             |
|-------------------------|-------------|
| Collector.....          | \$1,457,372 |
| TPT Auditor.....        | \$1,119,917 |
| Corporate Auditor ..... | \$1,256,441 |
| IIT Auditor .....       | \$ 164,487  |

Collectors collected an average of \$1.5 million dollars per collector in FY12. Auditors collected at different levels depending upon the type of audit work they performed; ranging from a little over \$164,000 per individual income (IIT) auditor to \$1.2 million per corporate auditor.



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TAXPAYER SATISFACTION RATINGS FOR THE TAXPAYER & EXTERNAL SERVICES DIVISION

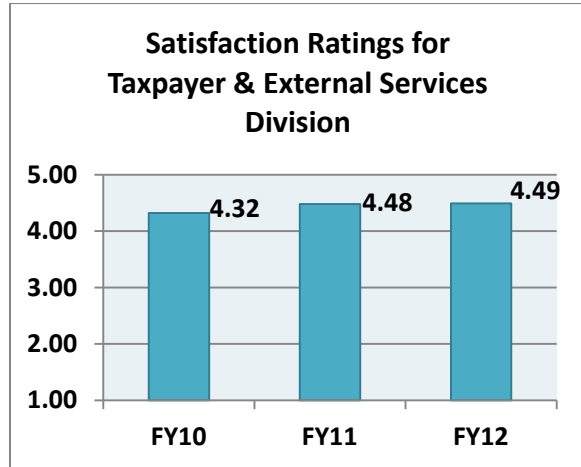
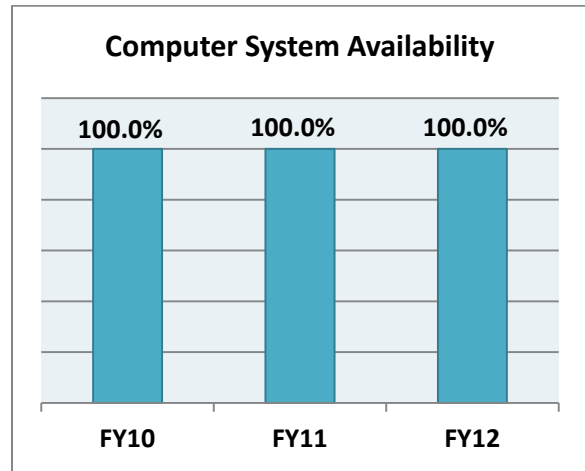
These scores were received from taxpayers rating the services of the employees in the Taxpayer & External Services division's *Taxpayer Information & Assistance* call center. (All satisfaction ratings tracked at the department have a 1 to 5 scale, 5 being the highest rating.)

FY10	4.32
FY11	4.48
FY12	4.49

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

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

FY10	100.0 %
FY11	100.0 %
FY12	100.0 %



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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, 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. The division consists of the following sections/units:

Accounting

The Accounting Unit processes accounts payable invoices, provides travel services including employee reimbursement, and oversees the fixed assets inventory.

Budget Office

The Budget Office 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.

Facilities Management

The Facilities Management Section coordinates building facility maintenance, including troubleshooting building utility issues (i.e. chillers, UPS, elevators etc.) remodeling office areas at the department's four buildings and coordinating tenant improvements to the buildings in cooperation with ADOA or the landlord. 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, risk management issues 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 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, employee benefits program, and interpreting ADOA Personnel rules and policies that govern personnel within the ADOA Personnel System. The unit also oversees the Affirmative Action/Equal Opportunity responsibilities, Family Medical Leave Act and Americans with Disabilities issues.

Payroll

The Payroll Unit is responsible for oversight of the department's employee payroll, which includes accurate tracking of hours worked, leave taken and payroll deductions through HRIS.

Purchasing

The Purchasing Unit is responsible for contracting and purchasing all goods and services required by the department. 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 2012

- **The Accounting Unit** processed 99% of all invoices within 30 days.
- **Facilities** accomplished the following notable tasks:
 - ✓ Painted the common areas on all floors in the 1600 building.
 - ✓ Retrofit the lighting at the Warehouse.
 - ✓ Upgraded the camera system to include additional cameras at the 1600 building, as well as the East Valley office.
 - ✓ Installed a new camera and recording system for the cashier's area at the Tucson office.
 - ✓ Installed new assembly area capacity signs as required by NFPA throughout the 1600 building.
- The Hearing Office workload has increased significantly during the last three years. For FY12 the Hearing Office handled nearly as many cases as it did in FY 2000 and 2001.

- Approximately 99% of all employees were paid by direct deposit. Warrants were issued only to new employees not yet set up for electronic payment.
- All procurement such as contracts and purchase orders were issued through the new statewide ProcureAZ system.

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, Special Taxes, Processing and Information Technology sections. The division's major emphasis is to treat taxpayers equitably, fairly and respectfully. Training and educating our employees is instrumental in developing skilled auditors. Staff members are professional, courteous employees whose expertise is reflected in their performance and achievement of audit goals and objectives. 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 (CIT) Audit

The Corporate Income Tax Audit Section is comprised of the Field Audit and Office Audit 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, verification of net operating losses, including audits based upon federal revenue agent reports.

Individual Income Tax (IIT) Audit

The Individual Income Tax Audit Section is made up of staff dedicated to providing quality service in educating taxpayers by ensuring the correct amount of tax is reported. Audits are conducted in both the office and field of individuals and pass-through entities such as Partnerships and S Corporations. Data from the Internal Revenue Service are being increasingly referred to the department in an electronic format that creates 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 clerical support staff. This results in an audit being issued in a timelier manner since manual clerical support research is not required.

Transaction Privilege and Use Tax (TPT) Audit

The Transaction Privilege and Use Tax Audit Section is comprised of Field Audit and the Compliance Unit.

The Field Audit Unit conducts the majority of its audits within Arizona but out-of-state audits are conducted as well. The determining factor is the location of the taxpayer's books and records. The Field Audit Unit also handles refund requests.

The Compliance Unit consists of License Compliance and Desk Audit. The License Compliance Unit continues to prove to be a successful unit. License Compliance officers do both office research and field work. Their goal is to seek out those businesses that are not licensed for transaction privilege and/or withholding tax and provide education and knowledge, so taxpayers can voluntarily comply with the tax laws. The Desk Audit Unit works on several different audit projects across all tax types. The information processed in this unit is from various sources including governmental agencies.

Special Taxes (ST)

Special Taxes comprises four separate units: Bingo, Estate Tax, Luxury Tax, and Nexus.

The Bingo Unit issues licenses, processes returns, and provides customer service to Bingo licensees. The Estate Tax Unit issues income tax certificates for probate to close an estate. During this fiscal year, the Estate Tax Unit was transferred to the Collection Division.

The Luxury Tax staff administers the luxury tax imposed on tobacco distributors and liquor wholesalers. This includes the licensing of tobacco distributors and processing of tax returns for both tobacco and liquor. The unit also conducts audits of tobacco distributors, liquor wholesalers and collects taxes from consumers who purchase tobacco products via the Internet or through mail order. Cigarette distributors pay tobacco taxes by purchasing tax stamps from the department to affix to the cigarettes, thereby reflecting that the tax has been paid. The distributor affixes the appropriate stamp to each pack of cigarettes that is to be sold in Arizona. The department and the Office of the Attorney General play a significant role in regards

to the administration of the Tobacco Master Settlement Agreement.

The Nexus Unit is responsible for identifying out-of-state companies and individuals who have an obligation to file tax returns with the State of Arizona. Nexus is the connection required to exist between a State and potential taxpayer such that the State has the constitutional right to impose the tax. The United States constitution limits the State's right to impose a tax through the Due Process and the Commerce Clause. Non-resident individuals are required to pay tax on all income derived from Arizona sources provided they meet the filing threshold. The unit operates various out-of-state non-filer programs for Transaction Privilege Tax, Corporate Income Tax, and Individual Income Tax. The Nexus Unit is also responsible for maintaining the department's Voluntary Disclosure Program. This program consists of taxpayers voluntarily coming forward to file tax returns for Transaction Privilege/Use Tax, Corporate, Partnership, Individual, and Withholding. The program facilitates the process for taxpayers who have determined a filing requirement exists, therefore, wish to come into compliance for all tax types. Furthermore, based on questionnaires the unit pursues specific industries based on Nexus issues, provides written Nexus determinations and solicits delinquent tax returns.

Audit Processing

Audit Processing handles the audit support for all audit operations; TPT Audit, Corporate Income Tax, Individual Income Tax, Bingo, and Special Taxes. The Section keys all of the audit assessments into the system (BRITS) and audit data bases, hand stuffs and mails all assessments, opens all mail and correspondence received, maintains all audit files and researches and corrects system issues.

Audit Information Technology (AIT)

The Audit IT Section is made up of tax specialists from the three major tax types, Individual Income Tax, Corporate Income Tax and Transaction Privilege Tax. These personnel have acquired the technical backgrounds in the various software and hardware that the department uses to support the daily functions of the Audit Division. They utilize their tax backgrounds with their IT technical backgrounds to support the large volume of data

that the Audit Division needs to perform their function of auditing under the various taxing sections.

The Audit IT Team creates, develops, and supports the various tracking databases which retain all the information on the activities which take place in each of the taxing section. This includes but is not limited to the selection of the audits, the assignment of the audits, and the capturing of the final data of each of the audits.

HIGHLIGHTS IN FISCAL YEAR 2012

Corporate Income Tax Audit (CIT) Section

- ✓ Audited 196 taxpayers, and produced 462 units, and assessed approximately \$33 million and collected approximately \$52 million.
- ✓ Developed and prepared a database tracking and audit selection workbench system for the Section.
- ✓ Started revisions to the Corporate Audit taxpayer reports and audit package with on-going monitoring and revisions.
- ✓ Started the assessment of core training needs and practices for revision of new auditor training program.

Individual Income Tax (IIT) Audit

- ✓ Completed 65,234 audits for total assessments of \$44.5 million and collected \$25.3 million in additional revenue.
- ✓ The computer generated assessment (CGA) program was further refined to increase the number of accounts eligible to be processed by this program. The results were the issuance of 21,020 audits for total assessments of \$6.13 million.
- ✓ IIT customer surveys averaged a score of 4.36, using a scale of 1 to 5 with 5 being excellent.
- ✓ Initial audit assessment quality is constantly improving. For the fiscal year, over 92% of initial audit assessments required no changes. The goal to achieve was established at 86%.

Transaction Privilege and Use Tax (TPT) Audit

- ✓ Field Audit Unit audited 525 taxpayers, produced 2,800 units, assessed over \$93 million and collected in excess of \$12 million in tax revenue.
- ✓ License Compliance Unit licensed 2,221 new taxpayers and collected over \$6 million.
- ✓ Desk Audit produced over 4,163 new billings that generated over \$4 million in tax revenue.
- ✓ Customer surveys averaged a score of 4.57, using a scale of 1 to 5 with 5 being excellent.

Special Taxes (ST)

- ✓ The Nexus Unit brought 382 new Corporate Income taxpayers into compliance that filed 1,098 tax returns for a total of \$2.3 million collected. Compliance dollars collected were \$1.7 million.
- ✓ Overall, the Nexus unit brought 527 new taxpayers into compliance and collected a total of \$38.7 million.

Information Technology (AIT)

- ✓ The Audit IT Section completed the upgrade to Microsoft Office 2007 and Internet Explorer 2008. This was significant in that it gave the Field Auditors capacities they did not have in dealing with large volume audits. The Section continues to work through issues relating to the programs in the audit select software. This has provided Audit IT the opportunity to work closely with the DOR IT Division in learning the technical aspects of the programs. A major accomplishment was the deployment of the Model City Tax Code website. This project was completed timely and without issues. The Section continues to apply changes as requested from cities, the League of Arizona Cities and Towns, and the Arizona Tax Research Association (ATRA). Finally, the Section continues to work diligently to support the applications for the programs run by 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. Collectors attempt to reach account resolution, on mostly income tax cases, 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 might be referred to Field Collections, or the Attorney General's 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 (mostly large balance business cases) in the territory. Field collectors use a combination of telephone and field visits. In addition to recommending lien and levy action, Field collectors may subpoena records, investigate Offers-in-Compromise, conduct seizures and recommend writing 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, request levies, filing and releasing of tax liens and providing Certificates of Compliance.

Debt Set-Off

The area is responsible for the offset of income tax refunds to debts owed to other state agencies, the courts and political subdivisions of the state. 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 2012

- The division was responsible for the generation of total revenues of \$226 million, a \$5 million (2%) increase over prior fiscal year 2011.
- Hand-held mobile devices were introduced in Field Collections. Greater security of taxpayer information and improved collections efficiency are expected.

INFORMATION TECHNOLOGY

Mission Statement: *The IT Division provides the department 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.*

The IT Division provides technology and services to all Divisions. All teams in the Division strive to continually improve processes, tools, and standards in order to provide improved service to our internal customers and the Arizona taxpayers.

Applications Support

Applications Support works with the various Divisions to resolve defects, and support technology-enabled business processes. Application support provides operational, support and maintenance services for all Department of Revenue tax processing systems, including

- All tax processing systems, including: Taxpayer Administration System (TAS), AZ Taxes (www.aztaxes.gov), electronic filing, Data Entry systems, Cashier, and Remittance.
- Enterprise Reporting and Analytics.
- Property and Audit mainframe applications.
- System scheduling and processing services, ensuring system processes are completed successfully.
- Support, management and monitoring of the tax systems infrastructure, application services and more than 200 system and inter-agency interfaces.

Managed Services Group

The Managed Services Group (MSG) acts as a liaison between IT and the functional areas within DOR (Collections, Audit, Taxpayer and External Services, etc.). MSG administers all System Investigation Reports (SIRs) and ensures requests are properly tracked and prioritized. MSG is responsible for establishing policies, standards, methodologies, and guidelines pertaining to business requirements gathering and application testing, and the Help Desk. MSG 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. MSG 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 the Desktop Support, Server and Network Engineering and Support, Database Administration, Information Security.

Desktop Support ensures that all employees have the required telephone and end-user computer hardware, software, and peripherals necessary to perform their job functions as well as providing the technical support to keep them up and running.

Network Engineering and Server Support is responsible for operations and oversight of all of the agency's data centers including all servers, storage systems, security infrastructure and networks.

The Database Administration Team assures availability, reliability, capacity and performance management of the Department's databases. The databases include tax process Analytic and Reporting systems.

Information Security (InfoSec) ensures a sound security program is in place throughout the department, with the primary focus of protecting the information and systems based upon governance and security best practices. The InfoSec Program includes:

- Ensure compliance to policy & regulatory mandates
- Manage risks & vulnerabilities in accordance with NIST800-53 & IRS Pub1075
- Participate in Vendor Oversight Committee Audits employing BS27001
- Coordinate/Perform InfoSec Forensics activities
- Assist & review Infosec policies standards and procedures
- Provide Employee Awareness of Information Security

Business Solutions Group

The Business Solutions Group (BSG) is responsible for information technology governance, project management and software development.

BSG is made up of two teams, the Project Management Office and Software Development. The Project Management Office is responsible for establishing, maintaining, and enforcing project management processes, procedures, and standards for IT projects.

The Software Development team is responsible for building high quality, cost effective, sustainable software solutions for the taxpayers, the department and to meet legislative mandates. This team also provides on-going enhancements to improve efficiency of the department's information systems.

The Vendor Management Office

The Vendor Management Office (VMO) is responsible for building and managing relationships with the department's IT suppliers and service providers to increase customer satisfaction, reduce cost, and improve services. The primary goal of the VMO is to partner with vendors, not only to negotiate the best terms possible, but to gain commitment to assist and support operations of the department.

HIGHLIGHTS IN FISCAL YEAR 2012

- Supported a new processing record of more than 2,000,000 electronic returns.
- Sustained and improved the technical environments that support core business processes and are used to process all tax filings, payments and returns for the taxpayers.
- Initiated upgrades to key system databases increasing reliability, availability and performance of during the primary tax season.

- Implemented more than 116 business-driven changes to the tax systems.
- Upgraded the remittance payment processing system, providing the ability for electronic deposits and improving the timeliness of payment processing.
- Upgraded the field audit team with new mobile systems increasing the productivity of the team.
- Participated in the state-wide Telecommunication and Networking RFP.
- Participated in the inter-agency Professional Services RFP.
- Effectively addressed critical legislative mandates from the legislative session including:
 - 2011 Tax Recovery Program to improve voluntary compliance in the filing of tax returns
 - Model City Tax Code website to provide timely and accurate information to the public
 - Provided for reporting of individual Use Taxes to improve the voluntary compliance in filing of tax returns
 - Enabled the electronic filing of Withholding tax returns and electronic payments to improve Department efficiency through increase electronic taxpayer transactions

PROCESS ADMINISTRATION

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

The Process Administration Division serves as the catalyst and cornerstone of the Department of Revenue. The division is responsible for the initial processing of all tax returns, remittances, supporting documentation, and correspondence received by the department. This includes opening, sorting, and reviewing all returns and accompanying mail, performing archival capture functions, remittance deposit preparation, and data entry into the computer systems. These functions are performed using both manual input of documents and imaging technologies. The division processes over five million returns and remittances each year. Individual unit roles and responsibilities are defined below.

Processing Services

Processing Services is responsible for the opening, batching and processing of tax documents for the largest four tax types: Individual Income, Transaction Privilege Tax, Withholding, and Corporate. 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 documents missing proper information prior to data being entered for all taxes.

DOR Treasury

Treasury ensures efficiency and is responsible for processing taxpayer payments, entering taxpayer data, keying stray payments into the cashiering system, and researching problem payments. Treasury consists of three integrated units: Remittance, Data Entry, and Payment Stray.

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.

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, storing and disposal of all tax documents as well as providing access to tax returns and license applications within the department. Records Management is also the source of assistance when developing customized records retention and disposition schedules for the department.

HIGHLIGHTS IN FISCAL YEAR 2012

- The Process Administration Division implemented a new Remittance Processing system. The Remittance system is a very critical function for the State of Arizona in that it electronically deposits taxpayer checks to the bank so the State can use the funds to invest, pay bills, earn interest, and distribute revenues to other government agencies, including counties, cities, and state agencies. This upgrade mitigated the increasing risk of potential system failure due to age.
- Received and processed 5.6 million tax documents.
- Received, processed and deposited 4.1 million payments with an average deposit time of 0.69 days
- 2.0 million refunds were issued to individual income taxpayers.

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 dispersed 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 the department values). 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. The department collects taxes levied on flight property and private rail cars and deposits the taxes with the State Aviation Fund and the General Fund, respectively. 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 and Training

The Assessment Standards and Training Team oversees and ensures the application of uniform appraisal methods and techniques used by county assessors to determine the value of locally assessed 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.

CAMA / Construction Cost

The Computer-Assisted Mass Appraisal (CAMA) and Construction Cost Team maintains the Add-On Component Costs as well as the Residential and Commercial Depreciation schedules in order to promote the use of uniform costs throughout the State when counties value property using the cost approach. The team also provides training and assistance for county appraisers in the use of the cost and market approaches to value, including sales based valuation models.

Central Information Services

The Central Information Services Team coordinates the data processing services necessary to support property tax administration. The support services provided 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. The team verifies County Property Tax Rates, including Additional State Aid to Education calculations.

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.

Manuals and Forms

The Manuals and Forms Team is responsible for producing and updating manuals, guidelines, and forms prescribed for use in the administration of the property tax system. The team also reviews legislative enactments and changes to existing property tax statutes, and prepares an extract of the property tax statutes found in Title 42.

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 2012

- The Centrally Valued Property Team valued approximately 800 taxpayers, totaling \$36.6 billion in full cash value. There were 24 taxpayers (less than 3%) who appealed their values to the department in the first level of appeal; 11 taxpayers went on to file petitions with the State Board of Equalization. Of those 11 petitions, three were withdrawn; two were settled, and six were heard before the Board. The Board decided in favor of the department in three of the six cases. The Assessment Standards and Training Team completed on-site meetings with four county assessors' offices during the fiscal year. The agenda for each meeting included statewide issues concerning the valuation and classification of property, provisions of newly passed legislation, and new requirements for appraiser training and certification as impacted by each county installing new computer systems. Agendas also included specific concerns unique to each county. The Team conducted five appraiser continuing education Income Workshops throughout the state this fiscal year. The Team worked with the county treasurers regarding reports and reporting requirements for the Government Property Lease Excise Tax (GPLET) returns and payments received for the preceding calendar year. The Team also worked with government lessors regarding GPLET return filing requirements by their lessees.
- The Manuals and Forms Team updated return forms, instructions and tax rate charts for use with the Government Property Lease Excise Tax (GPLET) program. The return forms are designed to be filed by prime lessees of government property improvements with their government lessor and the county treasurer of the county in which the property is located. The lessee may also use the return form to calculate the amount of GPLET due.
- The Training and Certification Team reviewed and revised course materials used in the Appraiser Training and Certification Program to incorporate changes brought about in part, by the county assessors adopting new computerized mass appraisal systems. The Training and Certification Team provided training to 39 students attending Level 1 certification courses and 20 students attending Level 2 certification courses in the DOR Appraiser Training and Certification Program this fiscal year. A total of 34 appraisers received their Level 1, Level 2 or Level 3 certification during the fiscal year. The Property Tax Division continued its partnership with Rio Salado Community College this fiscal year. The partnership allows students attending DOR appraiser training courses to receive 9 semester hours of college credit for completing Level 1 courses, and 6 additional semester hours of credit for Level 2 courses. A total of 12 students completed the Level 1 series of courses and 20 students completed the Level 2 series of courses in the Rio Salado program this fiscal year.

TAXPAYER AND EXTERNAL SERVICES

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

Criminal and Civil Investigations

The Criminal and Civil Investigations Section includes 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

This unit is responsible for design and printing 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.

Legislative Liaison

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

License and Registration (L & R)

The License and Registration section provides assistance to taxpayers, business owners, corporate officers, tax practitioners, companies and other representatives who wish to conduct business within the State, to obtain required licensing, make payments to the State or to purchase tobacco stamps.

The L&R customer service team (CS) is responsible for assisting this group of constituents when they

visit one of the three department locations. The CS team provides education and assistance with establishing and securing a Transaction Privilege Tax License, a Withholding Registration or a Use Tax Certificate. Additionally, the CS team provides education and assistance by responding to general inquiries regarding notices or taxes and they also collect and post payments made to the State.

The L&R maintenance unit (MU) is responsible for assisting the same group of constituents when they call into the license and registration or bond lines. The unit is also responsible for working and resolving all mailed in correspondence regarding licenses or registration, including applications, signature cards and business updates. The maintenance unit provides education and assistance with establishing and securing a Transaction Privilege Tax License, a Withholding Registration or a Use Tax Certificate. Moreover, the maintenance unit administers the bond program, solar registration program and portions of the tobacco stamp program. The team is responsible for providing specialized education, assistance and support to companies in these unique lines of business and other department units. Additionally, the unit provides maintenance support to customers and other department units by researching and resolving the most complicated account license, registration or bond problems.

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, when 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 as well as the department's informational publications.

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.

Taxpayer Information and Assistance (TIA)

Taxpayer Information and Assistance provides 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.

Every year the clerical support team processes thousands of Power of Attorney and Disclosure forms. In addition to other duties, this team is responsible for providing guidance to walk-in customers at the lobby reception desk in our Phoenix office.

The Penalty Review Unit (PRU) 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 2012

- The Criminal Investigation Unit stopped nearly \$11 million in fraudulent refunds from being issued. This is an increase of over \$ 7.8 million over last fiscal year (nearly a 250% increase).
- The Tobacco Enforcement Unit conducted approximately 4,000 retail and wholesale tobacco inspections with an increase of 1,300 over last fiscal year (118% increase). During this time period the unit also conducted 180 separate seizures of illegal tobacco products (a 34% increase). Over 114,000 sticks of cigarettes and 134,420 cigars were among the untaxed other tobacco products seized.
- The Office of Economic Research and Analysis accomplished several things over the fiscal year. These include:
 - ✓ Calculated and/or authorized transfers to the Arizona Sports and Tourism Authority, Rio Nuevo, Phoenix Convention Center, WQARF and Phoenix International Raceway.
 - ✓ Sent out 867 Certificates of Eligibility for the Health Insurance Premium Tax Credit to individuals and small businesses.
 - ✓ Sent out 220 approvals for the Water Conservation Credit.
 - ✓ Approved 124 corporate donations for the Corporate Income Tax Credit for Donations to School Tuition Organizations and the Corporate Income Tax Credit for Donations to School Tuition Organizations for Disabled/Displaced Student Scholarships.

- Confirmed 148 Disabled/Displaced Student Scholarship Awards. Approved 71 Disabled/Displaced Student Eligibility Applications.
- ✓ Approved 43 new charities as Qualified Charitable Organizations for purposes of the income tax credit for contributions to charities that provide assistance to the working poor.
 - ✓ Satisfied 2,515 information requests.
 - ✓ Administered the FY12 Employee Satisfaction Survey.
 - The License & Registration team processed 40,919 applications with an average turnaround of 7.9 days. Nearly 52% of all license applications are now done online. L&R staff processed over 2,700 taxpayer bonds and collected over \$79,000 in delinquencies.
 - During the year, L&R also assisted almost 11,000 customers over the counter and cashiered over \$438 million in payments.
 - Taxpayer Information and Assistance accomplishments include:
 - ✓ Answered 237,490 calls and replied to 6,787 emails.
 - ✓ Walk-in office staff assisted a total of 21,849 customers.
 - ✓ Responded to 5,921 Tax Practitioner Hotline inquiries.
 - ✓ Responded to 15,133 written inquiries.
 - ✓ Completed 1,932 requests for penalty abatement.
 - ✓ Processed 11,275 Power of Attorney forms.
 - For the second consecutive year, unclaimed property staff returned a record-breaking amount of unclaimed property. Over \$40 million was returned to nearly 19,000 owners. More than 76,000 properties were returned, which was nearly double the total from the previous fiscal year.
 - ✓ The average time to process and pay a claim was 64 days, reflecting a 14% increase in efficiency over the previous fiscal year.
 - ✓ Over \$115 million in new property was added to the database, and nearly 22,000 claims for property were received.

TAX POLICY AND RESEARCH

The Division provides administrative tax policy for the department, legal and interpretive 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 and also reviews all requests for public records. The division consists of Corporate Appeals, Individual Income Appeals, Transaction Privilege Tax Appeals, and the Tax Research & Analysis Section.

Tax Research & Analysis

The Tax Research & Analysis Section reviews, analyzes, develops and disseminates administrative tax policy for the department. The section also researches questions presented by other sections within the department, the Governor's office, and the Legislature. The section is responsible for drafting substantive policy statements (rulings and procedures), as well as private taxpayer rulings. The section also responds to technical and complex inquiries by telephone and issues taxpayer 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 other Divisions within the Department.

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 department's General Counsel and includes the TPT Protest unit. TPT Appeals 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 (OAH), the department's Hearing Office, and the director. It also represents the department at OAH in matters involving other issues, such as tobacco, luxury tax, and administrative determinations. The section also assists the Tax Section of the Attorney General's Office with preparation of cases being heard before the Board of Tax Appeals, Tax Court and the appellate courts.

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, and represents 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 2007-08 THROUGH FISCAL YEAR 2011-12**

SOURCE	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12
TRANSACTION PRIVILEGE USE AND SEVERANCE TAX					
Distribution Base	\$1,788,242,630	\$1,548,202,473	\$1,427,991,054	\$1,493,036,999	\$1,569,903,646
Nonshared Portion	3,448,839,624	2,965,242,162	2,653,983,212	2,719,128,171	2,852,297,332
Use Tax	340,535,252	292,698,574	271,763,845	229,250,912	263,724,399
Education Tax	645,827,821	558,899,709	504,391,092	514,345,951	542,394,529
Temporary Tax (5)	-----	-----	544,136	835,801,251	912,966,857
Undistributed Estimated					
Transaction Privilege Tax	(28,064,558)	(17,219,713)	26,197,663	36,915,698	20,235,301
Other State Revenue	26,543,638	26,453,838	24,955,212	25,467,086	23,913,439
County and City Collections	1,375,333,407	1,199,517,669	1,072,323,109	1,097,227,224	1,145,303,425
Subtotal	\$7,597,257,813	\$6,573,794,714	\$5,982,149,321	\$6,951,173,293	\$7,330,738,929
INCOME TAX					
Withholding	3,344,770,438	3,092,546,185	3,017,256,893	3,234,666,688	3,343,314,942
Individual	1,461,050,780	967,788,513	768,011,214	867,110,332	1,027,389,330
Corporate	985,305,494	749,362,551	650,925,393	659,266,690	758,413,453
Subtotal	\$5,791,126,712	\$4,809,697,249	\$4,436,193,500	\$4,761,043,709	\$5,129,117,725
LUXURY TAX					
Spiritous Liquor	27,613,939	28,341,033	29,304,713	28,202,704	31,847,105
Vinous Liquor	13,006,487	13,006,125	13,881,407	13,596,155	15,430,577
Malt Liquor	23,936,126	22,831,547	22,232,715	21,566,369	21,101,489
Tobacco - All Types (1)	412,769,855	380,593,991	340,839,935	340,754,224	337,777,289
Licensing	7,100	7,075	7,900	7,710	7,925
Subtotal	\$477,333,506	\$444,779,771	\$406,266,670	\$404,127,163	\$406,164,385
ESTATE TAX					
Estate (4)	414,711	234,065	363,755	437,372	200,825
Unclaimed Property	136,446,760	74,337,392	161,637,025	121,263,602	115,160,041
Escheated Estates	647,669	643,679	320,538	370,786	186,322
Subtotal	\$137,509,139	\$75,215,136	\$162,321,318	\$122,071,760	\$115,547,188
OTHER REVENUES					
Bingo	558,330	531,588	520,655	504,905	508,145
Flight Property Tax	13,821,790	11,975,326	9,451,430	9,673,124	10,585,261
Private Car Tax	1,615,246	1,435,069	1,335,091	1,283,026	1,065,773
Nuclear Plan Assessment	1,440,492	0 (4)	1,569,091	1,812,420	1,782,028
Waste Tire	8,704,684	7,890,076	7,925,216	8,155,363	8,518,868
Subtotal	\$26,140,542	\$21,832,059	\$20,801,482	\$21,428,838	\$22,460,074
TOTAL (2)	\$14,029,367,713	\$11,925,318,928	\$11,007,732,292	\$12,259,844,763	\$13,004,028,301

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

(2) All revenues collected by the Department of Revenue, including those which are later refunded or distributed.

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

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

(5) On May 18, 2010, voters approved Proposition 100 which temporarily increases the state transaction privilege and use tax rates on most transactions by one percentage point beginning June 1, 2010, and ending May 31, 2013.

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 2007-08 THROUGH FISCAL YEAR 2011-12

SOURCE	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12
Transaction Privilege, Use, and Severance Tax	\$4,406,139,759	\$3,791,915,770	\$3,418,261,171	\$3,463,327,544	\$3,657,481,499
Undistributed Estimated Transaction Privilege Tax	(28,064,558)	(17,219,713)	26,197,663	8,215,241	17,366,617
Income Tax	3,506,425,271	2,432,366,069	2,200,844,986	2,949,887,110	3,284,084,523
Luxury Tax	61,037,231	57,878,187	55,352,260	53,599,408	56,357,085
Estate Tax (1)	320,203	210,372	363,755	437,372	200,825
Unclaimed Property	9,755,359	9,526,605	100,034,835	49,120,855	45,819,445
Bingo	558,330	531,588	520,655	504,905	508,145
Private Car Tax	1,615,246	1,435,069	1,335,091	1,283,026	1,065,773
Nuclear Plan Assessment	1,440,492	0 (2)	1,569,091	1,812,420	1,782,028
Total	\$7,959,227,334	\$6,276,643,947	\$5,804,479,506	\$6,528,187,881	\$7,064,665,940

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

(2) 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 2010-11 AND FISCAL YEAR 2011-12

GROSS COLLECTIONS	FY2010-11	FY2011-12	% CHANGE
Collections	\$220,933,377	\$225,892,565	2.2%
Audit	\$157,401,770	\$141,434,521	-10.1%
Accounts Receivable	\$131,005,775	\$135,449,776	3.4%
TOTAL GROSS COLLECTIONS	\$509,340,922	\$502,776,862	-1.3%
ADJUSTMENTS (1)			
Duplication, Credit Audits and Other Adjustments As Reported	\$21,392,472	\$18,886,250	-11.7%
TOTAL ADJUSTED NET ENFORCEMENT COLLECTIONS (2)	\$487,948,450	\$483,890,612	-0.8%

(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.

During fiscal year 2012, the state tax rates range from 2.5% to 6.6% depending on the type of business, with most rates at 5.6% (*Refer to Table 5*). Gross revenue exceeding \$7.33 billion was remitted by Transaction Privilege, Severance and Use Tax license holders during fiscal year 2011 (*Refer to Table 4*).

On May 18, 2010, voters approved Proposition 100 which temporarily increases the state transaction privilege and use rate on most transactions by one percentage point beginning June 1, 2010 and ending May 31, 2013.

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 6.6% 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 73 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 2007-08 THROUGH FISCAL YEAR 2011-12**

SOURCE	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12
Distribution Base	\$1,788,242,630	\$1,548,202,473	\$1,427,991,054	\$1,493,036,999	\$1,569,903,646
Nonshared	3,448,839,624	2,965,242,162	2,653,983,212	2,719,128,171	2,852,297,332
Use Tax	340,535,252	292,698,574	271,763,845	229,250,912	263,724,399
SUBTOTAL	\$5,577,617,505	\$4,806,143,210	\$4,353,738,110	\$4,441,416,082	\$4,685,925,377
Education Tax	\$645,827,821	\$558,899,709	\$504,391,092	\$514,345,951	\$542,394,529
Temporary Tax (2)	-----	-----	544,136 (1)	835,801,251	912,966,857
Temporary Tax Estimated Payment	-----	-----	-----	28,700,457	2,868,684
Undistributed Estimated Payment	(28,064,558)	(17,219,713)	26,197,663	8,215,241	17,366,617
Telecommunications Devices	6,581,940	6,274,404	6,086,692	6,452,762	4,857,379
911 Excise	17,332,349	17,774,128	16,453,500	16,606,135	16,481,762
Municipal Water	2,550,646	2,375,423	2,392,765	2,377,136	2,545,748
Waste Tire Accounts Receivable Collections	78,702	29,883	22,255	31,053	28,550
GROSS STATE COLLECTIONS	\$6,221,924,406	\$5,374,277,044	\$4,909,826,212	\$5,853,946,069	\$6,185,435,504
Municipal Privilege Tax	\$581,066,050	\$506,884,596	\$443,808,996	\$450,148,563	\$466,896,627
Apache County Excise Tax	1,402,145	1,443,180	1,057,667	1,052,062	1,189,314
Cochise County Excise Tax	7,801,411	7,457,788	7,136,677	6,951,160	6,891,804
Coconino County Excise Tax	12,455,849	11,697,597	10,722,220	11,110,639	11,297,308
Coconino County Jail Tax	12,400,413	11,680,202	10,741,640	11,101,630	11,295,614
Coconino County Capitol Projects Tax	3,108,226	2,921,475	2,676,492	2,773,896	2,814,563
Gila County Excise Tax	3,287,537	3,041,923	2,689,763	2,690,335	2,779,139
Gila County Road Tax	3,391,644	3,152,896	2,799,473	2,766,830	2,879,485
Graham County Excise Tax	2,258,906	1,982,088	1,601,005	1,682,449	1,798,603
Greenlee County Excise Tax	1,641,764	1,553,396	842,107	1,281,394	1,495,734
La Paz County Excise Tax	1,122,268	1,027,828	1,038,469	1,025,763	1,120,855
La Paz County Jail Tax	1,122,266	1,027,827	1,037,994	1,025,659	1,120,853
La Paz County Health Services District (3)	41	61	16	(7)	21
La Paz County Judgment Tax	-----	-----	-----	-----	590,955 (1)
Maricopa County Road Tax	715,372	797,117	671,246	859,919	178,724
Maricopa County Road Tax Extension	379,350,183	327,388,602	298,352,305	308,374,052	323,991,403
Maricopa County Stadium Tax (3)	884	1,104	1,736	252	174
Maricopa County Jail Tax	139,699,551	118,527,726	107,492,524	111,547,857	117,547,456
Maricopa County Rental Car Surcharge	6,206,305	5,318,690	4,669,860	4,971,979	5,191,681
Mohave County Excise Tax	7,070,208	6,429,137	5,654,783	5,710,609	5,396,008
Navajo County Excise Tax	7,083,165	6,330,588	5,480,598	5,889,027	6,246,077
Pima County Hotel Tax	8,215,104	6,700,311	5,637,658	5,590,968	6,311,778
Pima County Rental Car Surcharge	1,731,469	1,388,670	1,339,960	1,372,901	1,463,761
Pima County R.V. Surcharge	208,287	167,218	180,969	164,805	145,559
Pima County Road Tax	74,768,398	67,221,351	62,936,950	64,540,737	67,504,860
Pinal County Excise Tax	17,449,950	14,335,789	12,130,566	12,032,993	12,449,204
Pinal County Health Services District	2,319,086 (1)	2,881,911	2,414,381	2,401,515	2,468,346
Pinal County Road Tax	17,856,916	14,830,503	12,599,660	12,561,088	12,952,327
Santa Cruz County Excise Tax	3,267,685	2,961,238	2,547,860	2,571,487	2,646,194
Santa Cruz County Jail Tax	3,241,021	2,951,355	2,445,901	2,609,373	2,641,677
Yavapai County Excise Tax	15,908,075	13,657,537	11,818,833	11,703,512	12,400,793
Yavapai County Jail Tax	7,952,863	6,829,627	5,908,756	5,850,290	6,199,337
Yuma County Excise Tax	12,339,424	11,937,204	10,463,855	10,761,578	11,230,569
Yuma County Jail Tax	12,338,683	11,937,082	10,463,970	10,761,452	11,230,580
Yuma County Capitol Projects Tax (4)	49,866	65,276	18,633	37,106	18,947
Yuma County Health Services District	2,474,852	2,372,996	2,083,126	2,138,596	2,235,486
Tourism/Sports Authority	24,027,540	20,615,783	20,856,461	21,164,757	22,681,609
COUNTY AND CITY COLLECTIONS	\$1,375,333,407	\$1,199,517,669	\$1,072,323,109	\$1,097,227,224	\$1,145,303,425
TOTAL DEPARTMENT OF REVENUE RECEIPTS	\$7,597,257,813	\$6,573,794,714	\$5,982,149,321	\$6,951,173,292	\$7,330,738,929

(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) On May 18, 2010, voters approved Proposition 100 which temporarily increases the state transaction privilege and use tax rates on most transactions by one percentage point beginning June 1, 2010, and ending May 31, 2013.

(3) This county tax has expired. Collections are from periods prior to the expiration.

TABLE 5
STATE TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX RATES
FISCAL YEAR 2011-12

TAXABLE ACTIVITIES	DISTRIBUTION BASE	NONSHARED	EDUCATION	TEMPORARY TAX (1)	TOTAL TAX
1. Transporting and Towing	1.0%	4.0%	0.6%	1.0%	6.6%
2. Nonmetalliferous Mining, Oil and Gas Production	1.0%	2.125%	0.0%	0.0%	3.125%
4. Utilities	1.0%	4.0%	0.6%	1.0%	6.6%
5. Communications	1.0%	4.0%	0.6%	1.0%	6.6%
6. Railroads and Aircraft	1.0%	4.0%	0.6%	1.0%	6.6%
7/8. Private Car/Pipelines	1.0%	4.0%	0.6%	1.0%	6.6%
9. Publishing	1.0%	4.0%	0.6%	1.0%	6.6%
10. Printing	1.0%	4.0%	0.6%	1.0%	6.6%
11. Restaurants and Bars	2.0%	3.0%	0.6%	1.0%	6.6%
12. Amusements	2.0%	3.0%	0.6%	1.0%	6.6%
14. Personal Property Rentals	2.0%	3.0%	0.6%	1.0%	6.6%
15. Contracting	1.0%	4.0%	0.6%	1.0%	6.6%
17. Retail	2.0%	3.0%	0.6%	1.0%	6.6%
19. Mining Severance	2.0%	0.5%	0.0%	0.0%	2.5%
25. Hotel/Motel Tax	2.75%	2.75%	0.0%	1.0%	6.5%
29/30. Use and Use Inventory Tax	0.0%	5.0%	0.6%	1.0%	6.6%
49. Jet Fuel (per gallon)	\$0.0122	\$0.0183	\$0	\$0	\$0.0305
51. Jet Fuel Use (per gallon)	\$0	\$0.0305	\$0	\$0	\$0.0305

(1) On May 18, 2010, voters approved Proposition 100 which temporarily increases the state transaction privilege and use tax rates on most transactions by one percentage point beginning June 1, 2010 and ending May 31, 2013.

TABLE 6
NET TAXABLE SALES
BY TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX CLASSIFICATIONS (1)
FISCAL YEAR 2007-08 THROUGH FISCAL YEAR 2011-12

CLASSIFICATION	FY2007-08	% OF TOTAL	FY2008-09	% OF TOTAL	FY2009-10	% OF TOTAL	FY2010-11	% OF TOTAL	FY2011-12	% OF TOTAL
Transporting (4)	\$48,715,871	0.04	\$37,920,229	0.04	\$41,990,223	0.05	\$41,555,032	0.05	\$52,136,905	0.06
Mining, Oil & Gas	216,674,568	0.19	175,743,314	0.18	102,899,820	0.12	96,513,978	0.11	105,614,045	0.11
Mining Severance	1,752,522,103	1.56	729,481,920	0.76	1,164,231,217	1.33	1,609,450,811	1.80	1,623,111,320	1.72
Utilities	9,237,778,527	8.23	9,236,365,624	9.59	9,354,244,929	10.70	9,394,361,056	10.52	9,474,520,541	10.05
Communications	3,669,682,556	3.27	2,928,433,210	3.04	3,618,207,813	4.14	2,853,538,386	3.20	3,190,962,329	3.38
Private Car and Pipelines	16,021,363	0.01	7,742,692	0.01	1,639,838	n/a	1,908,310	n/a (2)	1,186,118	n/a (2)
Publishing	122,652,124	0.11	102,456,538	0.11	103,681,055	0.12	98,343,131	0.11	92,504,602	0.10
Job Printing	391,037,724	0.35	307,581,474	0.32	236,985,401	0.27	266,564,040	0.30	252,603,147	0.27
Restaurants and Bars	9,663,958,579	8.61	9,094,485,498	9.44	9,020,794,923	10.32	9,311,826,427	10.43	9,996,824,507	10.60
Amusements	1,146,344,296	1.02	1,053,047,833	1.09	1,051,919,242	1.20	994,092,112	1.11	1,037,058,757	1.10
Commercial Lease (3)	(443,473)	n/a (2)	874	n/a (2)	141,375	n/a (2)	1,750	n/a (2)	1,209	n/a (2)
Personal Property Rentals	3,995,696,708	3.56	3,552,696,373	3.69	3,127,828,157	3.58	3,056,386,064	3.42	3,257,587,929	3.46
Contracting	20,156,298,616	17.95	14,882,705,766	15.45	9,311,612,411	10.65	8,983,260,649	10.06	9,543,335,350	10.12
Retail	52,626,992,989	46.86	46,174,068,033	47.94	42,913,931,049	49.08	45,898,838,365	51.42	48,178,713,977	51.10
Hotel/Motel	2,405,704,851	2.14	2,117,241,787	2.20	1,949,717,696	2.23	2,039,282,838	2.28	2,156,863,685	2.29
Rental Occupancy Tax (5)	(2,669,444)	n/a (2)	(24,871)	n/a (2)	(62,113)	n/a (2)	42,581	n/a (2)	(2,602)	n/a (2)
Use Tax	6,837,880,265	6.09	5,882,941,979	6.11	5,464,504,380	6.25	4,610,920,668	5.17	5,302,843,816	5.62
Use Tax-Utilities	12,461,292	0.01	38,653,312	0.04	(35,593,960)	(0.04)	10,039,995	0.01	10,022,025	0.01
Membership Camping (5)	51,662	0.00 (2)	10,780	0.00 (2)	9,730	n/a (2)	728	n/a (2)	0	n/a (2)
TOTAL	\$112,297,361,177	100.00	\$96,321,552,366	100.00	\$87,428,683,185	100.00	\$89,266,926,922	100.00	\$94,275,887,660	100.00

(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.

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

Figures may not add to total due to rounding.

TABLE 7
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS BY CLASS
FISCAL YEAR 2011-12

CLASSIFICATION	DISTRIBUTION BASE	NONSHARED	TOTAL COLLECTIONS
Transporting (1)	\$520,804	\$2,083,215	\$2,604,019
Nonmetal Mining, Oil and Gas	1,056,140	2,244,298	3,300,439
Mining Severance	32,462,226	8,115,557	40,577,783
Timbering Severance - Ponderosa (3)	21	5	26
Utilities	94,745,205	378,980,822	473,726,027
Communications	31,909,623	127,638,493	159,548,116
Private Car and Pipelines	11,861	47,445	59,306
Publishing	925,046	3,700,184	4,625,230
Job Printing	2,526,031	10,104,126	12,630,157
Restaurants and Bars	199,936,483	299,904,724	499,841,207
Amusements	20,741,175	31,111,763	51,852,938
Commercial Lease (2)	19	17	36
Rentals of Personal Property	65,150,145	97,725,217	162,875,362
Contracting	95,432,927	381,731,708	477,164,635
Retail	963,579,162	1,445,368,828	2,408,947,990
Hotel/Motel	59,313,763	59,313,764	118,627,527
Rental Occupancy Tax (3)	(52)	(78)	(78)
Use Tax Utilities	100,220	400,881	501,101
Use Tax	0	263,724,399	263,724,399
License Fees	0	542,054	542,054
Jet Fuel Tax	1,523,951	2,285,926	3,809,877
Jet Fuel Use Tax	0	731,896	731,896
Non Sufficient Funds	0	52,506	52,506
Telecommunications Service Assistance	(31,107)	(124,427)	(155,534)
Mandatory EFT Fees	0	338,357	338,357
TOTAL	\$1,569,903,646	\$3,116,021,731	\$4,685,925,377

(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 2011-12

Net Regular to State General Fund	\$3,657,481,499
Net Estimated Payments to General Fund	17,366,617
Net to Cities	392,475,912
Net to Counties	635,967,967
Net to Education Fund	542,394,529
Net to Temporary Tax	912,966,857
Temporary Tax Estimated Payment	2,868,684
911 Wireline/Excise, 911 Wireless, Telecommunications Devices, Municipal Water, and Waste Tire Accounts Receivable Collections	23,913,439
TOTAL GROSS COLLECTIONS	\$6,185,435,504

ADDITIONAL DISTRIBUTION FROM
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS
FISCAL YEAR 2011-12

Phoenix International Raceway - Highway Improvements	\$416,667
Rio Nuevo	11,957,943 *
Sports and Tourism Authority	6,054,497
Tribal Community Colleges	1,750,000
Convention Center	35,000,000
Additional distribution of city collections	(265,318)

* These figures include an estimate of the June distribution that occurred after the close of the fiscal year.

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, 2011 AND ENDING JUNE 30, 2012

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2010-11	COLLECTIONS
Utilities	\$15,813,683	6.5%	\$790,684
Communications	19,423,294	7.0%	971,165
Publishing	581,042	NA	29,052
Job Printing	30,280	-63.9%	1,514
Restaurants and Bars	13,434,218	1.1%	671,711
Rentals of Personal Property	3,625,442	-36.9%	181,272
Contracting (All)	88,245,528	13.6%	4,412,276
Retail	79,310,928	25.1%	3,965,546
Hotel/Motel	11,763,687	-2.2%	647,003
Other Taxable Activities	123,204,444	-0.2%	6,099,022
TOTAL	\$355,432,548	8.1%	\$17,769,245

NUMBER OF ACCOUNTS
FISCAL YEAR 2009-10 THROUGH FISCAL YEAR 2011-12

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2009-10	FY2010-11	FY2011-12
Utilities	26	24	20
Communications	115	120	102
Publishing	14	14	17
Job Printing	11	12	12
Restaurants and Bars	75	76	72
Rentals of Personal Property	171	150	157
Contracting (All)	452	438	444
Retail	1,277	1,370	1,497
Hotel/Motel	56	52	88
Other Taxable Activities	953	955	963
TOTAL	3,150	3,211	3,372

(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 10
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)
IN COCHISE COUNTY FOR THE PERIOD BEGINNING
JULY 1, 2011 AND ENDING JUNE 30, 2012

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2010-11	COLLECTIONS
Utilities	\$170,897,810	-6.0%	\$8,544,890
Communications	57,912,990	6.8%	2,895,650
Publishing	889,446	-7.2%	44,472
Job Printing	665,334	-70.2%	33,267
Restaurants and Bars	132,955,667	1.0%	6,647,783
Amusements	5,056,096	-17.3%	252,805
Rentals of Personal Property	24,662,879	47.7%	1,233,144
Contracting (All)	190,786,571	-9.5%	9,539,329
Retail	744,405,226	1.6%	37,220,261
Hotel/Motel	38,244,579	-13.3%	2,103,452
Other Taxable Activities	69,588,336	NA	3,378,191
TOTAL	\$1,436,064,934	-1.1%	\$71,893,243

NUMBER OF ACCOUNTS
FISCAL YEAR 2009-10 THROUGH FISCAL YEAR 2011-12

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2009-10	FY2010-11	FY2011-12
Utilities	61	54	57
Communications	198	193	188
Publishing	NA	20	25
Job Printing	28	27	27
Restaurants and Bars	345	368	349
Amusements	65	55	55
Rentals of Personal Property	385	345	339
Contracting (All)	1,144	1,131	1,117
Retail	3,371	3,545	3,591
Hotel/Motel	154	145	152
Other Taxable Activities	1,488	1,521	1,558
TOTAL	7,239	7,404	7,458

(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, 2011 AND ENDING JUNE 30, 2012

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2010-11	COLLECTIONS
Utilities	\$172,448,578	4.8%	\$8,622,429
Communications	59,941,529	1.7%	2,997,076
Publishing	1,489,720	-28.2%	74,486
Job Printing	2,152,772	25.1%	107,639
Restaurants and Bars	345,680,285	5.9%	17,284,014
Amusements	65,951,631	1.5%	3,297,582
Rentals of Personal Property	58,486,702	-10.2%	2,924,335
Contracting (All)	272,797,913	-6.2%	13,639,896
Retail	979,722,407	2.1%	48,986,120
Hotel/Motel	258,865,446	7.1%	14,237,600
Other Taxable Activities	92,016,729	-16.9%	4,528,954
TOTAL	\$2,309,553,712	1.0%	\$116,700,130

NUMBER OF ACCOUNTS
FISCAL YEAR 2009-10 THROUGH FISCAL YEAR 2011-12

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2009-10	FY2010-11	FY2011-12
Utilities	41	45	44
Communications	227	238	222
Publishing	33	33	36
Job Printing	44	42	48
Restaurants and Bars	461	465	486
Amusements	97	102	99
Rentals of Personal Property	495	473	464
Contracting (All)	1,719	1,695	1,671
Retail	4,243	4,491	4,614
Hotel/Motel	245	259	261
Other Taxable Activities	1,889	1,907	1,956
TOTAL	9,494	9,750	9,901

(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, 2011 AND ENDING JUNE 30, 2012

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2010-11	COLLECTIONS
Utilities	\$129,172,905	11.0%	\$5,936,771
Communications	21,343,581	5.9%	1,067,179
Publishing	554,138	-5.4%	27,707
Job Printing	308,395	6.3%	15,420
Restaurants and Bars	53,789,797	0.6%	2,689,490
Amusements	1,628,537	-22.4%	81,427
Rentals of Personal Property	13,247,992	-6.4%	662,400
Contracting (All)	75,081,815	7.6%	3,754,091
Retail	244,991,502	-0.1%	12,249,575
Hotel/Motel	10,784,009	6.5%	593,121
Other Taxable Activities	87,878,093	85.2%	2,765,654
TOTAL	\$638,780,764	10.2%	\$29,842,834

NUMBER OF ACCOUNTS
FISCAL YEAR 2009-10 THROUGH FISCAL YEAR 2011-12

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2009-10	FY2010-11	FY2011-12
Utilities	34	31	32
Communications	158	166	159
Publishing	14	17	19
Job Printing	14	11	14
Restaurants and Bars	162	175	171
Amusements	32	34	28
Rentals of Personal Property	261	227	237
Contracting (All)	794	790	796
Retail	2,039	2,174	2,257
Hotel/Motel	66	65	63
Other Taxable Activities	978	1,060	1,094
TOTAL	4,552	4,750	4,870

(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, 2011 AND ENDING JUNE 30, 2012

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2010-11	COLLECTIONS
Communications	\$12,204,429	17.4%	\$610,221
Restaurants and Bars	27,404,741	11.0%	1,370,237
Rentals of Personal Property	11,618,108	35.7%	580,905
Contracting (All)	41,514,776	47.1%	2,075,739
Retail	203,955,008	0.8%	10,197,750
Other Taxable Activities	234,376,391	27.5%	7,792,825
TOTAL	\$531,073,453	15.9%	\$22,627,678

NUMBER OF ACCOUNTS
FISCAL YEAR 2009-10 THROUGH FISCAL YEAR 2011-12

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2009-10	FY2010-11	FY2011-12
Communications	122	117	112
Restaurants and Bars	68	62	64
Rentals of Personal Property	164	143	163
Contracting (All)	356	328	352
Retail	1,270	1,326	1,433
Other Taxable Activities	833	896	951
TOTAL	2,813	2,872	3,075

(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 14
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)
IN GREENLEE COUNTY FOR THE PERIOD BEGINNING
JULY 1, 2011 AND ENDING JUNE 30, 2012

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2010-11	COLLECTIONS
Communications	\$3,726,328	8.2%	\$186,316
Restaurants and Bars	4,632,425	10.7%	231,621
Rentals of Personal Property	4,027,310	54.5%	201,366
Contracting (All)	40,998,432	26.4%	2,049,922
Retail	173,943,271	16.6%	8,697,164
Other Taxable Activities	615,245,403	NA	17,255,681
TOTAL	\$842,573,169	10.0%	\$28,622,070

NUMBER OF ACCOUNTS
FISCAL YEAR 2009-10 THROUGH FISCAL YEAR 2011-12

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2009-10	FY2010-11	FY2011-12
Communications	71	76	76
Restaurants and Bars	25	23	23
Rentals of Personal Property	69	63	63
Contracting (All)	117	131	131
Retail	482	552	552
Other Taxable Activities	398	428	428
TOTAL	1,162	1,273	1,273

(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 15
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)
IN LA PAZ COUNTY FOR THE PERIOD BEGINNING
JULY 1, 2011 AND ENDING JUNE 30, 2012

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2010-11	COLLECTIONS
Utilities	\$26,339,455	3.7%	\$1,316,973
Communications	6,126,341	9.0%	306,317
Publication	43,858	NA	2,193
Restaurants and Bars	23,385,537	8.1%	1,169,277
Rentals of Personal Property	2,693,758	-8.7%	134,688
Contracting (All)	24,102,289	31.9%	1,205,114
Retail	134,374,790	7.8%	6,718,739
Hotel/Motel	5,044,944	1.3%	277,472
Other Taxable Activities (2)	14,554,347	NA	695,578
TOTAL	\$236,665,318	12.9%	\$11,826,351

NUMBER OF ACCOUNTS
FISCAL YEAR 2009-10 THROUGH FISCAL YEAR 2011-12

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2009-10	FY2010-11	FY2011-12
Utilities	19	19	23
Communications	115	115	113
Publication	NA	NA	15
Restaurants and Bars	105	96	106
Amusements	9	8	10
Rentals of Personal Property	146	128	137
Contracting (All)	331	324	339
Retail	1,674	1,731	1,751
Hotel/Motel	46	50	53
Other Taxable Activities	671	703	729
TOTAL	3,116	3,174	3,276

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

(2) For FY12, different categories have been classified under the Other Taxable Activities compared to FY11.

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, 2011 AND ENDING JUNE 30, 2012

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2010-11	COLLECTIONS
Utilities	\$6,040,664,010	2.4%	\$302,033,201
Communications	2,037,431,573	10.4%	101,871,579
Publishing	61,500,342	-8.3%	3,075,017
Job Printing	203,863,367	-6.5%	10,193,168
Restaurants and Bars	6,817,094,058	8.0%	340,854,703
Amusements	761,944,532	6.0%	38,097,227
Rentals of Personal Property	2,474,524,936	6.3%	123,726,247
Contracting (All)	6,098,470,898	8.9%	304,923,545
Retail	32,567,141,079	5.1%	1,628,357,054
Hotel/Motel	1,280,694,343	6.7%	70,438,189
Other Taxable Activities	4,142,405,253	20.7%	206,371,321
TOTAL	\$62,485,734,392	6.6%	\$3,129,941,250

NUMBER OF ACCOUNTS
FISCAL YEAR 2009-10 THROUGH FISCAL YEAR 2011-12

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2009-10	FY2010-11	FY2011-12
Utilities	132	152	147
Communications	637	640	643
Publishing	269	261	239
Job Printing	810	809	758
Restaurants and Bars	6,346	6,593	6,833
Amusements	707	720	719
Rentals of Personal Property	2,763	2,619	2,595
Contracting (All)	14,147	13,866	13,836
Retail	44,305	45,017	44,800
Hotel/Motel	663	666	698
Other Taxable Activities	10,025	10,153	10,193
TOTAL	80,804	81,496	81,461

(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, 2011 AND ENDING JUNE 30, 2012

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2010-11	COLLECTIONS
Utilities	\$353,976,465	-10.2%	\$17,698,823
Communications	86,632,726	6.8%	4,331,636
Publishing	1,244,357	4.8%	62,218
Job Printing	3,362,852	-1.7%	168,143
Restaurants and Bars	214,445,878	5.7%	10,722,294
Amusements	14,676,022	-0.3%	733,801
Rentals of Personal Property	51,093,507	-4.9%	2,554,675
Contracting (All)	182,333,188	-11.8%	9,116,659
Retail	1,182,810,479	-6.1%	59,140,524
Hotel/Motel	43,210,623	2.8%	2,376,584
Other Taxable Activities	99,796,112	-9.9%	4,618,484
TOTAL	\$2,233,582,209	-5.8%	\$111,523,842

NUMBER OF ACCOUNTS
FISCAL YEAR 2009-10 THROUGH FISCAL YEAR 2011-12

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2009-10	FY2010-11	FY2011-12
Utilities	58	54	59
Communications	178	175	172
Publishing	19	26	28
Job Printing	33	33	42
Restaurants and Bars	456	434	449
Amusements	75	64	70
Rentals of Personal Property	477	454	461
Contracting (All)	1,502	1,384	1,342
Retail	4,538	4,661	4,770
Hotel/Motel	147	152	151
Other Taxable Activities	1,884	1,957	2,004
TOTAL	9,367	9,394	9,548

(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, 2011 AND ENDING JUNE 30, 2012

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2010-11	COLLECTIONS
Utilities	\$98,189,888	11.5%	\$4,909,494
Communications	43,892,162	2.6%	2,194,608
Publishing	838,853	12.3%	41,943
Printing	644,719	-14.0%	32,236
Restaurants and Bars	89,395,772	4.7%	4,469,789
Rentals of Personal Property	27,412,226	16.2%	1,370,611
Contracting (All)	119,364,100	-9.1%	5,968,205
Retail	819,160,650	8.0%	40,958,032
Hotel/Motel	33,971,403	9.7%	1,868,427
Other Taxable Activities	58,441,288	NA	2,898,484
TOTAL	\$1,291,311,061	6.5%	\$64,711,830

NUMBER OF ACCOUNTS
FISCAL YEAR 2009-10 THROUGH FISCAL YEAR 2011-12

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2009-10	FY2010-11	FY2011-12
Utilities	39	40	41
Communications	158	160	144
Publishing	21	23	20
Printing	20	24	21
Restaurants and Bars	213	220	237
Rentals of Personal Property	319	281	298
Contracting (All)	979	912	907
Retail	2,526	2,676	2,755
Hotel/Motel	148	146	142
Other Taxable Activities (2)	1,236	1,295	1,331
TOTAL	5,659	5,777	5,896

(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, 2011 AND ENDING JUNE 30, 2012

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2010-11	COLLECTIONS
Utilities	\$1,253,130,468	-5.5%	\$62,656,523
Communications	522,645,947	28.1%	26,132,297
Publishing	16,748,802	-2.0%	837,440
Job Printing	32,867,827	2.6%	1,643,391
Restaurants and Bars	1,501,996,282	6.1%	75,099,814
Amusements	96,750,272	-4.1%	4,837,514
Rentals of Personal Property	382,046,158	6.4%	19,102,308
Contracting (All)	1,370,703,262	3.3%	68,535,163
Retail	7,107,237,429	7.3%	355,361,871
Hotel/Motel	286,307,251	5.3%	15,746,899
Other Taxable Activities	975,113,224	-7.3%	37,407,928
TOTAL	\$13,545,546,922	4.7%	\$667,361,149

NUMBER OF ACCOUNTS
FISCAL YEAR 2009-10 THROUGH FISCAL YEAR 2011-12

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2009-10	FY2010-11	FY2011-12
Utilities	77	87	91
Communications	318	303	314
Publishing	85	87	82
Job Printing	154	160	149
Restaurants and Bars	1,659	1,684	1,738
Amusements	204	203	222
Rentals of Personal Property	1,069	1,010	1,000
Contracting (All)	4,672	4,552	4,504
Retail	13,839	14,278	14,352
Hotel/Motel	257	254	267
Other Taxable Activities	3,870	4,062	4,082
TOTAL	26,204	26,680	26,801

(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, 2011 AND ENDING JUNE 30, 2012

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2010-11	COLLECTIONS
Utilities	\$477,870,078	3.3%	\$23,893,504
Communications	130,031,490	7.4%	6,501,575
Publishing	3,700,929	9.6%	185,046
Job Printing	1,787,447	15.6%	89,372
Restaurants and Bars	235,392,897	11.9%	11,769,645
Amusements	38,536,069	9.9%	1,926,803
Rentals of Personal Property	66,615,135	11.7%	3,330,757
Contracting (All)	375,082,821	-5.9%	18,754,141
Retail	1,100,423,596	4.9%	55,021,180
Hotel/Motel	22,234,678	1.5%	1,222,907
Other Taxable Activities	312,572,399	-1.7%	11,123,552
TOTAL	\$2,764,247,539	3.1%	\$133,818,482

NUMBER OF ACCOUNTS
FISCAL YEAR 2009-10 THROUGH FISCAL YEAR 2011-12

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2009-10	FY2010-11	FY2011-12
Utilities	72	73	79
Communications	228	223	206
Publishing	26	26	28
Job Printing	40	32	31
Restaurants and Bars	436	441	465
Amusements	89	93	90
Rentals of Personal Property	471	437	451
Contracting (All)	2,700	2,644	2,721
Retail	4,533	4,660	4,782
Hotel/Motel	110	114	109
Other Taxable Activities	1,740	1,816	1,924
TOTAL	10,445	10,559	10,886

(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, 2011 AND ENDING JUNE 30, 2012

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2010-11	COLLECTIONS
Utilities	\$47,631,933	-0.6%	\$2,381,597
Communications	25,539,456	-2.1%	1,276,973
Publications	133,267	NA	6,663
Job Printing	445,479	-5.1%	22,274
Restaurants and Bars	43,668,438	3.5%	2,183,422
Amusements	4,280,226	-0.4%	214,011
Rentals of Personal Property	12,886,789	7.5%	644,339
Contracting (All)	83,199,734	14.2%	4,159,987
Retail	299,091,161	-0.8%	14,954,558
Hotel/Motel	8,719,179	-27.9%	479,555
Other Taxable Activities (2)	17,906,660	NA	895,330
TOTAL	\$543,502,321	1.9%	\$27,218,709

NUMBER OF ACCOUNTS
FISCAL YEAR 2009-10 THROUGH FISCAL YEAR 2011-12

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2009-10	FY2010-11	FY2011-12
Utilities	21	21	22
Communications	133	133	129
Publications	NA	NA	13
Job Printing	13	13	19
Restaurants and Bars	133	131	133
Amusements	21	19	22
Rentals of Personal Property	235	214	228
Contracting (All)	572	546	583
Retail	1,894	1,998	2,119
Hotel/Motel	41	36	40
Other Taxable Activities	925	959	1,001
TOTAL	3,988	4,070	4,309

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

(2) For FY12, fewer categories have been classified under the Other Taxable Activities compared to FY11.

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, 2011 AND ENDING JUNE 30, 2012

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2010-11	COLLECTIONS
Utilities	\$319,588,422	2.6%	\$15,979,421
Communications	95,771,609	6.4%	4,788,580
Publishing	2,784,699	2.3%	139,235
Job Printing	4,079,883	11.3%	203,994
Restaurants and Bars	274,272,806	5.0%	13,713,640
Amusements	26,777,122	2.0%	1,338,856
Rentals of Personal Property	42,260,002	3.4%	2,113,000
Contracting (All)	286,196,829	14.2%	14,309,841
Retail	1,295,962,777	5.7%	64,798,139
Hotel/Motel	97,317,892	6.7%	5,352,484
Other Taxable Activities	321,767,856	-6.8%	9,913,856
TOTAL	\$2,766,779,897	4.4%	\$132,651,048

NUMBER OF ACCOUNTS
FISCAL YEAR 2009-10 THROUGH FISCAL YEAR 2011-12

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2009-10	FY2010-11	FY2011-12
Utilities	74	75	77
Communications	223	222	210
Publishing	42	48	49
Job Printing	59	57	55
Restaurants and Bars	611	623	643
Amusements	99	92	87
Rentals of Personal Property	493	462	463
Contracting (All)	2,472	2,326	2,255
Retail	5,956	6,140	6,265
Hotel/Motel	199	206	209
Other Taxable Activities	1,907	2,025	2,064
TOTAL	12,135	12,276	12,377

(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 23
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)
IN YUMA COUNTY FOR THE PERIOD BEGINNING
JULY 1, 2011 AND ENDING JUNE 30, 2012

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2010-11	COLLECTIONS
Utilities	\$246,395,269	-0.5%	\$12,319,763
Communications	68,338,873	-0.5%	3,416,944
Publications	1,768,876	NA	88,444
Restaurants and Bars	219,275,707	6.2%	10,963,785
Rentals of Personal Property	82,386,984	27.5%	4,119,349
Contracting (All)	294,457,195	10.1%	14,720,728
Retail	1,246,183,674	2.9%	62,309,184
Hotel/Motel	51,792,509	7.3%	2,848,588
Other Taxable Activities (2)	84,440,335	NA	4,202,030
TOTAL	\$2,295,039,422	4.6%	\$114,988,815

NUMBER OF ACCOUNTS
FISCAL YEAR 2009-10 THROUGH FISCAL YEAR 2011-12

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2009-10	FY2010-11	FY2011-12
Utilities	41	32	36
Communications	188	191	194
Publications	---	---	18
Restaurants and Bars	342	364	371
Rentals of Personal Property	430	411	426
Contracting (All)	969	974	961
Retail	3,557	3,669	3,837
Hotel/Motel	104	102	109
Other Taxable Activities (2)	1,657	1,726	1,812
TOTAL	7,288	7,469	7,764

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

(2) For FY12, fewer categories have been classified under the Other Taxable Activities compared to FY11.

Figures may not add to total due to rounding.

TABLE 24
STATE TRANSACTION PRIVILEGE AND SEVERANCE TAX
DISTRIBUTION TO COUNTIES
FISCAL YEAR 2007-08 THROUGH FISCAL YEAR 2011-12

COUNTY	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	% CHANGE FROM FY 2010-11
Apache	\$5,074,805	\$4,487,263	\$3,985,796	\$4,116,316	\$4,148,680	0.8%
Coconino	17,161,720	15,301,303	14,350,374	15,586,920	17,035,207	9.3%
Cochise	12,547,126	11,305,289	10,616,654	10,880,090	10,964,080	0.8%
Gila	5,370,720	4,696,318	4,225,153	4,381,303	4,614,778	5.3%
Graham	3,551,781	3,146,715	3,321,780	3,234,712	3,624,351	12.0%
Greenlee	4,893,205	3,078,106	3,337,405	3,945,202	4,376,829	10.9%
La Paz	1,962,689	1,742,796	1,654,035	1,717,668	1,941,213	13.0%
Maricopa	465,016,355	400,099,771	367,202,478	383,243,745	398,827,938	4.1%
Mohave	21,046,522	19,087,627	17,295,217	17,551,555	17,391,271	-0.9%
Navajo	10,977,266	9,747,301	8,831,817	9,326,061	9,605,663	3.0%
Pima	104,069,379	90,391,382	84,769,872	88,630,774	92,723,932	4.6%
Pinal	24,071,466	20,740,073	18,910,351	20,318,239	26,600,160	30.9%
Santa Cruz	4,703,843	4,101,137	3,709,093	3,874,088	4,062,329	4.9%
Yavapai	25,136,960	22,136,382	20,676,049	21,703,058	22,955,984	5.8%
Yuma	18,833,253	17,115,359	15,593,103	16,319,557	17,095,552	4.8%
TOTAL	\$724,417,089	\$627,176,822	\$578,479,176	\$604,829,288	\$635,967,967	5.1%

Figures may not add to totals due to rounding.

TABLE 25
STATE TRANSACTION PRIVILEGE AND SEVERANCE TAX
DISTRIBUTION TO MUNICIPALITIES
FISCAL YEAR 2011-12

CITIES	AMOUNT	COUNTY TOTAL	CITIES	AMOUNT	COUNTY TOTAL
APACHE					
Eagar	\$381,715		Scottsdale	\$16,986,529	
Springerville	153,233		Surprise	9,182,814	
St. Johns	271,928	\$806,877	Tempe	12,636,771	
COCHISE					
Benson	\$398,906		Tolleson	511,428	
Bisbee	435,632		Wickenburg	497,207	
Douglas	1,357,922		Youngtown	481,032	\$276,059,915
Huachuca City	144,794		MOHAVE		
Sierra Vista	3,429,422		Bullhead City	\$3,089,667	
Tombstone	107,834		Colorado City	376,714	
Willcox	293,573	\$6,168,083	Kingman	2,193,242	
COCONINO					
Flagstaff	\$5,147,101		Lake Havasu City	4,104,475	\$9,764,099
Fredonia	102,676		NAVAJO		
Page	566,283		Holbrook	\$394,843	
Tusayan	43,602		Pinetop-Lakeside	334,597	
Williams	236,218	\$6,095,881	Show Low	832,976	
GILA					
Globe	\$588,553		Snowflake	436,804	
Hayden	51,729		Taylor	321,313	
Miami	143,544		Winslow	754,445	\$3,074,977
Payson	1,195,625		PIMA		
Star Valley	180,504		Marana	\$2,731,863	
Winkelman	27,584	\$2,187,538	Oro Valley	3,204,612	
GRAHAM					
Pima	\$186,521		Sahuarita	1,973,746	
Safford	747,490		South Tucson	441,649	
Thatcher	380,153	\$1,314,164	Tucson	40,642,020	\$48,993,890
GREENLEE					
Clifton	\$258,722		PINAL		
Duncan	54,386	\$313,108	Apache Junction	\$2,800,548	
LA PAZ					
Parker	\$240,906		Casa Grande	3,795,352	
Quartzsite	287,322	\$528,228	Coolidge	924,009	
MARICOPA					
Avondale	\$5,957,260		Eloy	1,299,551	
Buckeye	3,975,466		Florence	1,995,391	
Carefree	262,786		Kearny	152,374	
Cave Creek	391,873		Mammoth	111,428	
Chandler	18,450,722		Maricopa	3,397,697	
El Mirage	2,484,627		Superior	221,684	\$14,698,035
Fountain Hills	1,757,297		SANTA CRUZ		
Gila Bend	150,186		Nogales	\$1,628,209	
Gilbert	16,288,580		Patagonia	71,342	\$1,699,551
Glendale	17,716,047		YAVAPAI		
Goodyear	5,100,608		Camp Verde	\$849,619	
Guadalupe	431,569		Chino Valley	845,244	
Litchfield Park	427,896		Clarkdale	320,141	
Mesa	34,306,796		Cottonwood	880,250	
Paradise Valley	1,001,759		Dewey-Humboldt	304,278	
Peoria	12,038,685		Jerome	34,694	
Phoenix	112,962,120		Prescott	3,113,344	
Queen Creek	2,059,856		Prescott Valley	3,033,563	
TOTAL					
				\$392,475,912	\$392,475,912

TABLE 26
MUNICIPAL PRIVILEGE TAX COLLECTION PROGRAM
COLLECTIONS BY CITY
FISCAL YEAR 2011-12

CITY	RATE * (PERCENT)	COLLECTIONS	CITY	RATE * (PERCENT)	COLLECTIONS
Apache Junction (1)		\$15,698	Miami	2.5	343,862
Benson	2.5	2,941,820	Oro Valley	2.0	12,682,619
Bisbee	2.5	1,881,913	Page	3.0	6,960,801
Buckeye	3.0	14,540,134	Paradise Valley	1.65	10,268,065
Bullhead City (2)		35,495	Parker	2.0	1,164,714
Camp Verde	2.0	1,735,428	Patagonia	3.0	168,486
Carefree	3.0	2,886,242	Payson	2.1	6,047,628
Casa Grande	1.8	19,133,133	Pima	2.0	213,111
Cave Creek	3.0	4,788,702	Pinetop-Lakeside	2.5	3,375,932
Chino Valley	3.0	3,507,894	Prescott Valley	2.3	10,883,569
Clarkdale	3.0	911,024	Quartzsite	2.5	1,216,971
Clifton	3.0	579,608	Queen Creek	2.3	11,656,719
Colorado City	2.0	264,175	Safford	2.5	5,576,922
Coolidge	3.0	4,688,028	Sahuarita	2.0	6,221,737
Cottonwood	3.0	10,558,187	Saint Johns	2.0	767,591
Dewey-Humboldt	2.0	366,748	San Luis	4.0	6,073,810
Douglas (3)		50,335	Sedona (4)		133,433
Duncan	2.0	89,322	Show Low	2.0	8,864,612
Eagar	3.0	817,803	Sierra Vista	1.8	16,757,320
El Mirage	3.0	5,462,856	Snowflake	2.0	1,033,035
Eloy	3.0	5,114,261	Somerton (5)		2,073
Florence	2.0	3,733,521	South Tucson	2.5	1,689,509
Fountain Hills	2.6	7,867,766	Springerville	3.0	1,294,246
Fredonia	4.0	319,157	Star Valley	2.0	235,399
Gila Bend	3.0	2,104,220	Superior	2.0	278,779
Gilbert	1.5	53,693,725	Surprise	2.2	32,221,036
Globe	2.0	3,437,366	Taylor	2.0	587,223
Goodyear	2.5	35,610,202	Thatcher	2.0	2,416,896
Guadalupe	3.0	1,468,901	Tolleson	2.5	13,447,224
Hayden	3.0	1,955,691	Tombstone	2.5	713,960
Holbrook	3.0	3,370,775	Tusayan	2.0	2,400,891
Huachuca City	1.5	148,823	Wellton	2.5	672,241
Jerome	3.5	657,146	Wickenburg	2.2	2,624,450
Kearny	3.0	536,500	Willcox (6)		19,013
Kingman	2.0	11,911,486	Williams	3.0	3,838,834
Lake Havasu City	2.0	14,772,773	Winkelman	3.5	118,578
Litchfield Park	2.8	3,423,070	Winslow	3.0	4,300,160
Mammoth	2.0	81,998	Youngtown	3.0	1,041,541
Marana	2.0	24,231,127	Yuma	1.7	31,397,140
Maricopa	2.0	\$7,493,445			
			TOTAL		\$466,896,627

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

Current rates, are located here: <http://www.azdor.gov/Business/TransactionPrivilegeTax/TPTRates.aspx>

- (1) Effective July 1, 2007, Apache Junction no longer participates in the municipal privilege tax collection program.
- (2) Effective March 1, 2009, Bullhead City no longer participates in the municipal privilege tax collection program.
- (3) Effective October 1, 2010, Douglas no longer participates in the municipal privilege tax collection program.
- (4) Effective January 1, 2011, Sedona no longer participates in the municipal privilege tax collection program.
- (5) Effective February 1, 2011, Somerton no longer participates in the municipal privilege tax collection program.
- (6) Effective March 1, 2011, Willcox no longer participates in the municipal privilege tax collection program.

For those cities who have left the program, collections shown include periods up to the effective date.

**TABLE 27
MUNICIPAL PRIVILEGE TAX COLLECTION PROGRAM
FISCAL YEAR 2007-08 THROUGH FISCAL YEAR 2011-12**

FISCAL YEAR	TOTAL COLLECTIONS	NUMBER OF CITIES IN PROGRAM
2007-08	\$581,066,050	77
2008-09	\$506,884,596	76
2009-10	\$443,808,887	76
2010-11	\$450,148,563	73
2011-12	\$466,896,627	73

NON PROGRAM CITY MUNICIPAL PRIVILEGE TAX COLLECTIONS (1)

	FY 2009-10	FY 2010-11	FY 2011-12
APACHE JUNCTION	\$9,623,100	\$9,956,281	\$10,392,302
AVONDALE	\$29,211,279	\$29,634,273	\$32,789,899
BULLHEAD CITY	\$10,070,859	\$10,873,867 (4)	\$10,163,746 (4)
CHANDLER	\$80,107,904	\$83,971,941	\$95,151,159
DOUGLAS (2)	N/A	\$4,245,832	\$5,790,053
FLAGSTAFF	\$22,892,321	\$23,362,125	\$24,595,088
GLENDALE	\$92,770,357	\$93,259,414	\$97,237,309 (4)
MESA	\$122,748,163	\$121,531,121	\$126,777,870
NOGALES	\$5,318,300	\$9,745,548	\$9,841,089
PEORIA	\$56,276,937	\$58,082,216	\$60,719,649
PHOENIX	\$593,755,547	\$646,849,227	\$674,425,999
PRESCOTT	\$22,459,454 (3)	\$22,501,740	\$23,721,779
SCOTTSDALE	\$133,432,384	\$142,666,455	\$151,052,744
SEDONA (2)	N/A	\$12,899,694	\$10,670,880
SOMERTON (2)	N/A	\$538,923	\$1,337,769
TEMPE	\$106,846,000	\$120,542,000	\$126,124,000
TUCSON	\$166,572,972	\$182,441,010	\$190,629,228
WILLCOX (2)	N/A	\$565,122	\$2,295,667

(1) Pursuant to HB 2513, Chapter 154, Second Regular Session, 2010. This is for informational purposes only as reported by the cities. The department does not collect for these cities.

(2) These cities became non-program cities in FY 2010-11.

(3) Corrected figures.

(4) Unaudited figure.

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 \$647.9 million during fiscal year 2012 (*Refer to Table 28*).

INDIVIDUAL INCOME TAX

MAJOR FEATURES

For tax year 2009 filed in 2010, approximately 2.5 million individual filers reported Arizona gross income (defined as federal adjusted gross income) totaling more than \$122.2 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 2009 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. (*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, I Did Not Pay Enough 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 28*). Pursuant to HB 2001, Chapter 1, 2nd Special Session, 2011, \$31.5 million of withholding tax revenues is transferred annually to the Job Creation Withholding Clearing Account. Pursuant to HB 2332, Chapter 128, 1st Regular Session, 2011, taxpayers are to declare their annual amount of use tax on their individual income tax return beginning with taxable year 2011. The use tax amount has been adjusted out of Individual Gross Revenue and is included in the Transaction Privilege, Use and Severance tables.

CORPORATE AND INDIVIDUAL INCOME TAX CREDITS

CREDIT

AVAILABLE TO

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.

Corporate Contributions to School Tuition Organizations for Displaced Students with Disabilities

Corporate credit that allows taxpayers to make cash contributions to school tuition organizations that provides scholarships or grants to displaced students or students with disabilities. 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 describes 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.

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****Investment in Qualified Small Businesses**

Allows a credit for investments in qualified small businesses to individuals.

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.

New Employment

Provides nonrefundable individual and corporate credits for net increases in qualified employment positions in Arizona at a business location 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.

Renewable Energy Industry

This credit provides refundable individual and corporate income tax credits for expanding or locating qualified renewable energy operations in this state.

Renewable Energy Production

This credit provides nonrefundable individual and corporate credits for production of electricity by a qualified energy generator that produces electricity using a qualified energy resource.

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.

CREDIT

AVAILABLE TO

**Solar Energy Devices –
Commercial and 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 Liquid Fuel

Provides nonrefundable individual and corporate credits for increased research activities related to solar liquid fuel.

**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.

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

Allows corporate taxpayers 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 2007-08 THROUGH FISCAL YEAR 2011-12

SOURCE	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	PERCENT OF NET COLLECTIONS IN FY2011-12
<u>Withheld from Wages</u>						
Gross Revenue	\$3,344,770,438	\$3,092,546,185	\$3,017,256,893	\$3,234,666,688	\$3,343,314,942	
Refunds and Charge-offs	(22,167,786)	(13,229,118)	(10,152,178)	(7,044,562)	(10,751,762)	
NET	\$3,322,602,653	\$3,079,317,068	\$3,007,104,715	\$3,227,622,125	\$3,332,563,180	88.9%
<u>Individuals & Fiduciaries</u>						
Gross Revenue	\$1,461,050,780	\$967,788,513	\$768,011,214	\$867,110,332	\$1,027,389,330	
Regular Refunds and Charge-offs	(1,369,350,067)	(1,471,652,247)	(1,351,901,223)	(1,224,167,109)	(1,260,775,055)	
Attorney Fees - Ladewig refunds (1)	(2,575)	----	----	----	----	
NET	\$91,698,139	(\$503,863,734)	(\$583,890,008)	(\$357,056,777)	(\$233,385,726)	-6.2%
<u>Corporations</u>						
Gross Revenue	\$985,305,494	\$749,362,551	\$650,925,393	\$659,266,690	\$758,413,453	
Refunds and Charge-offs	(200,615,179)	(157,110,835)	(237,644,455)	(98,958,514)	(110,525,973)	
NET	\$784,690,315	\$592,251,716	\$413,280,938	\$560,308,176	\$647,887,480	17.3%
Subtotal Net Collections	\$4,198,991,106	\$3,167,705,050	\$2,836,495,645	\$3,430,873,524	\$3,747,064,934	100.0%
Less distributions for:						
Urban Revenue Sharing	\$684,538,927	\$727,677,400 (2)	\$628,644,630	\$474,006,520	\$424,423,442	
Child Abuse Prevention	260,062	232,949	220,098	159,694	156,194	
Veteran's Donation Fund	65,085	300,509	69,746	88,604	97,546	
Aid to Education	107,173	79,933	84,117	65,775	67,806	
Domestic Violence Shelter	196,622	183,973	161,673	118,629	122,343	
Special Olympics	105,085	103,287	98,752	72,928	74,582	
Wildlife Contributions	235,199	226,343	202,627	156,130	154,626	
Neighbors Helping Neighbors	55,421	59,433	52,383	33,099	31,315	
Clean Elections	6,685,252	6,355,933	6,019,188	6,199,220	6,273,004	
National Guard Relief Fund	264,523	87,491	71,775	48,845	43,577	
I Did Not Pay Enough Fund	----	----	----	17,121	14,523	
Democratic Party	31,539	18,554	14,595	10,691	11,597	
Libertarian Party	2,310	1,918	1,162	1,094	568	
Republican Party	18,081	10,573	9,335	7,744	8,649	
Green Party	557	684	578	319	638	
Job Creation W/H Clearing Acct (3)	----	----	----	----	31,500,000	
Subtotal Distributions	\$692,565,835	\$735,338,981	\$635,650,660	\$480,986,414	\$462,980,411	
NET REVENUE TO STATE GENERAL FUND	\$3,506,425,271	\$2,432,366,069	\$2,200,844,986	\$2,949,887,110	\$3,284,084,523	
WQARF Distribution	\$15,000,000	\$13,000,000	\$7,000,000	\$7,000,000	\$7,000,000	
Sports and Tourism Authority	\$4,121,337	\$4,200,254	\$6,419,515	\$5,810,440	\$5,810,440	
Use Tax on Income Tax Return (4)	----	----	----	----	\$1,705,724	

- (1) Attorney fees relating to the Ladewig class action lawsuit were paid from individual income tax refunds.
- (2) Pursuant to HB 2871, Chapter 351, 2nd Regular Session, 2006, the sum of \$727,677,400 was appropriated from the general fund, of which \$10,549,800 was appropriated as repayment to incorporated cities and towns as distributed in FY04.
- (3) Pursuant to HB 2001, Chapter 1, 2nd Special Session, 2011, \$31.5m of withholding tax revenues is to be transferred annually to the Job Creation Withholding Clearing Account.
- (4) Pursuant to HB 2332, Chapter 128, 1st Regular Session, 2011, taxpayers are to declare their annual amount of use tax on their individual income tax return beginning with taxable year 2011. The use tax amount has been adjusted out of Individual Gross Revenue and is included in the Transaction Privilege, Use and Severance tables.

Figures may not add to total due to rounding.

**TABLE 29
EXEMPTIONS, DEDUCTIONS AND CREDITS
TAX YEAR 2008 THROUGH TAX YEAR 2011**

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
2008	2,100	1,500	2,100	2,300	4,521/9,042	502	240
2009	2,100	1,500	2,100	2,300	4,677/9,354	502	240
2010	2,100	1,500	2,100	2,300	4,677/9,354	502	240
2011	2,100	1,500	2,100	2,300	4,703/9,406	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 2008 THROUGH TAX YEAR 2010**

CREDIT	TAX YEAR 2008		TAX YEAR 2009		TAX YEAR 2010	
	CLAIMANTS	CREDITS	CLAIMANTS	CREDITS	CLAIMANTS	CREDITS
Agricultural Pollution Control	5	\$14,087	3	\$13,306	(1)	(1)
Agricultural Water Conservation	136	\$1,486,292	139	\$1,008,226	(2)	(2)
Clean Elections	33,966	\$773,000	26,088	\$633,415	24,908	\$644,314
Commercial & Industrial Solar Energy Contributions to Charities that Provide Assistance to the Working Poor	53	\$279,874	81	\$325,054	46	\$257,980
Defense Contracting	36,568	\$11,059,408	49,676	\$12,857,493	61,602	\$16,684,046
Donations to Military Family Relief Fund	0	\$0	0	\$0	0	\$0
Employing National Guard Members	3,070	\$982,575	3,185	\$998,331	3,052	\$995,849
Employment of TANF Recipients	(1)	(1)	(1)	(1)	(1)	(1)
Enterprise Zone	(1)	(1)	0	\$0	3	\$20,822
Environmental Technology	138	\$892,784	98	\$1,190,630	(2)	(2)
Family Tax Credit	(1)	(1)	(1)	(1)	(1)	(1)
Healthy Forest Enterprises	501,013	\$5,811,534	515,867	\$5,270,319	516,513	\$5,594,106
Income Taxes Paid to Other States	0	\$0	0	\$0	(2)	(2)
Increased Excise Taxes Paid	31,103	\$78,837,292	30,125	\$75,216,168	36,535	\$84,093,029
Investment in Qualified Small Business	605,599	\$32,308,185	664,675	\$35,928,030	656,524	\$35,278,230
Military Reuse Zone	128	\$411,156	208	\$574,434	203	\$791,082
Motion Picture Production & Infrastructure	0	\$0	0	\$0	0	\$0
Pollution Control Device	9	\$267,771	5	\$77,267	(1)	(1)
Private School Tuition Organization (3)	5	\$5,731	(1)	(1)	(1)	(1)
Property Tax	78,434	\$55,260,728	73,430	\$50,879,153	62,940	\$43,183,534
Public School Extra Curricular Activity (3)	15,675	\$5,722,697	17,366	\$6,606,391	17,526	\$6,750,770
Recycling Equipment	233,450	\$45,164,366	239,031	\$42,657,087	250,004	\$43,718,717
Renewable Energy Industry	0	\$0	0	\$0	0	\$0
Research and Development	325	\$4,807,765	329	\$4,548,356	451	\$6,461,953
School Site Donation	55	\$321,623	23	\$76,226	(2)	(2)
Solar Energy	5,124	\$2,511,451	8,449	\$4,983,151	(2)	(2)
Solar Hot Water Heater & Plumbing Stub Outs	11	\$930	16	\$1,568	(2)	(2)
Water Conservation Systems	214	\$108,710	212	\$104,876	230	\$104,280
Total	1,545,084	\$247,028,849	1,629,012	\$243,957,252	1,630,547	\$244,656,224

(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 2009 (1)

FEDERAL ADJUSTED GROSS INCOME	# OF FILERS	% OF TOTAL	LIABILITY	% OF TOTAL
Negative Income	47,946	2.06%	\$253,965	0.01%
\$0.01 to \$1,999	41,912	1.80%	11,920	0.00%
\$2,000 to \$5,999	116,558	5.02%	39,928	0.00%
\$6,000 to \$9,999	155,025	6.67%	2,577,443	0.11%
\$10,000 to \$13,999	169,828	7.31%	9,270,760	0.38%
\$14,000 to \$19,999	241,467	10.39%	25,891,242	1.07%
\$20,000 to \$24,999	176,487	7.60%	35,353,152	1.46%
\$25,000 to \$29,999	152,289	6.55%	46,998,804	1.94%
\$30,000 to \$39,999	256,625	11.05%	121,511,954	5.03%
\$40,000 to \$49,999	186,940	8.05%	127,514,214	5.27%
\$50,000 to \$74,999	317,399	13.66%	319,175,935	13.20%
\$75,000 to \$99,999	192,610	8.29%	302,605,079	12.52%
\$100,000 to \$199,999	215,187	9.26%	618,043,812	25.56%
\$200,000 to \$499,999	44,123	1.90%	357,960,177	14.80%
\$500,000 to \$999,999	6,303	0.27%	147,286,057	6.09%
\$1,000,000 to \$4,999,999	2,492	0.11%	169,297,448	7.00%
\$5,000,000 and over	221	0.01%	134,102,405	5.55%
TOTAL	2,323,412	100.00%	\$2,417,894,295	100.00%

(1) This summary combines all liability reported on the Arizona Form 140 and 140A Individual Income tax returns for tax year 2009, filed from January 2010 forward.

TABLE 31
NONRESIDENT/ PART YEAR RESIDENT INDIVIDUAL INCOME TAX
LIABILITY BY FEDERAL ADJUSTED GROSS INCOME
TAX YEAR 2009 (1)

ARIZONA PORTION OF FEDERAL ADJUSTED GROSS INCOME	# OF FILERS	% OF TOTAL	LIABILITY	% OF TOTAL
Negative Income	45,583	20.90%	2,748,063	1.97%
\$0.01 to \$1,999	23,095	10.59%	16,330	0.01%
\$2,000 to \$5,999	31,632	14.50%	61,984	0.04%
\$6,000 to \$9,999	22,821	10.46%	664,019	0.48%
\$10,000 to \$13,999	16,747	7.68%	1,406,247	1.01%
\$14,000 to \$19,999	17,640	8.09%	3,080,468	2.21%
\$20,000 to \$24,999	10,696	4.90%	3,140,410	2.25%
\$25,000 to \$29,999	7,737	3.55%	3,087,509	2.21%
\$30,000 to \$39,999	10,930	5.01%	6,160,478	4.42%
\$40,000 to \$49,999	7,339	3.37%	5,906,229	4.24%
\$50,000 to \$74,999	10,382	4.76%	12,516,563	8.98%
\$75,000 to \$99,999	4,960	2.27%	9,355,250	6.71%
\$100,000 to \$199,999	5,596	2.57%	19,314,234	13.85%
\$200,000 to \$499,999	2,111	0.97%	19,527,872	14.01%
\$500,000 to \$999,999	493	0.23%	11,820,703	8.48%
\$1,000,000 to \$4,999,999	286	0.13%	21,756,955	15.61%
\$5,000,000 and over	42	0.02%	18,841,187	13.52%
TOTAL	218,090	100.00%	\$139,404,501	100.00%

(1) This summary combines all liability reported on the Arizona Form 140NR and 140PY Individual Income tax returns for tax year 2009, filed from January 2010 forward.

TABLE 32
CORPORATE INCOME TAX
CORPORATE TAXPAYER BY SIZE OF TAX LIABILITY
TAX YEAR 2009 (1)

CORPORATE TAX LIABILITY	# OF FILERS	% OF TOTAL	LIABILITY	% OF TOTAL
\$50 Minimum	35,913	75.9%	\$1,795,650	0.3%
\$50.01 to \$99.99	1,012	2.1%	73,571	0.0%
\$100 to \$999.99	4,291	9.1%	1,745,706	0.3%
\$1,000 to \$4,999.99	3,068	6.5%	7,385,721	1.4%
\$5,000 to \$9,999.99	854	1.8%	6,033,460	1.1%
\$10,000 to \$49,999.99	1,235	2.6%	28,111,375	5.2%
\$50,000 to \$99,999.99	339	0.7%	24,123,264	4.5%
\$100,000 to \$499,999.99	430	0.9%	93,228,497	17.3%
\$500,000 to \$999,999.99	80	0.2%	56,981,766	10.6%
\$1,000,000 to \$15,000,000	106	0.2%	319,727,176	59.3%
TOTAL	47,328	100.0%	\$539,206,186	100.0%

CORPORATE INCOME TAX CREDITS
TAX YEAR 2009

CREDIT TYPE	# OF FILERS	CREDIT USED	CARRYFORWARD AVAILABLE
Agricultural Pollution Control Equipment	0	\$0	\$0
Clean Elections	228	\$1,292	\$0
Commercial & Industrial Solar Energy	10	\$87,118	\$115,574
Contributions to School Tuition Organizations	69	\$8,873,043	\$1,903,714
Contributions to School Tuition Organizations for Disabled/Displaced Students	*	*	*
Defense Contracting	*	*	*
Employing National Guard Members	6	\$7,000	\$7,900
Employment of TANF Recipients	12	\$43,178	\$89,134
Enterprise Zone	92	\$6,148,657	\$6,278,531
Environmental Technology	*	*	*
Healthy Forest Enterprises	*	*	*
Military Reuse Zone	*	*	*
Motion Picture Production/Infrastructure	5	\$1,343,532	\$467,501
Pollution Control Equipment	15	\$1,715,381	\$3,681,020
Research & Development	242	\$33,486,510	\$624,881,277
School Site Donation	*	*	*
Solar Hot Water Heater Plumbing Stub-Outs	0	\$0	\$0
Taxes Paid on Coal Used in Electric Generation	4	\$658,252	\$5,281,480
Water Conservation	0	\$0	\$0
TOTAL (2)	693	\$54,507,601	\$660,624,757

(1) This summary combines all liability on the Arizona Form 120 Corporate Income Tax returns for tax year 2009 filed from January 2010 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 2009

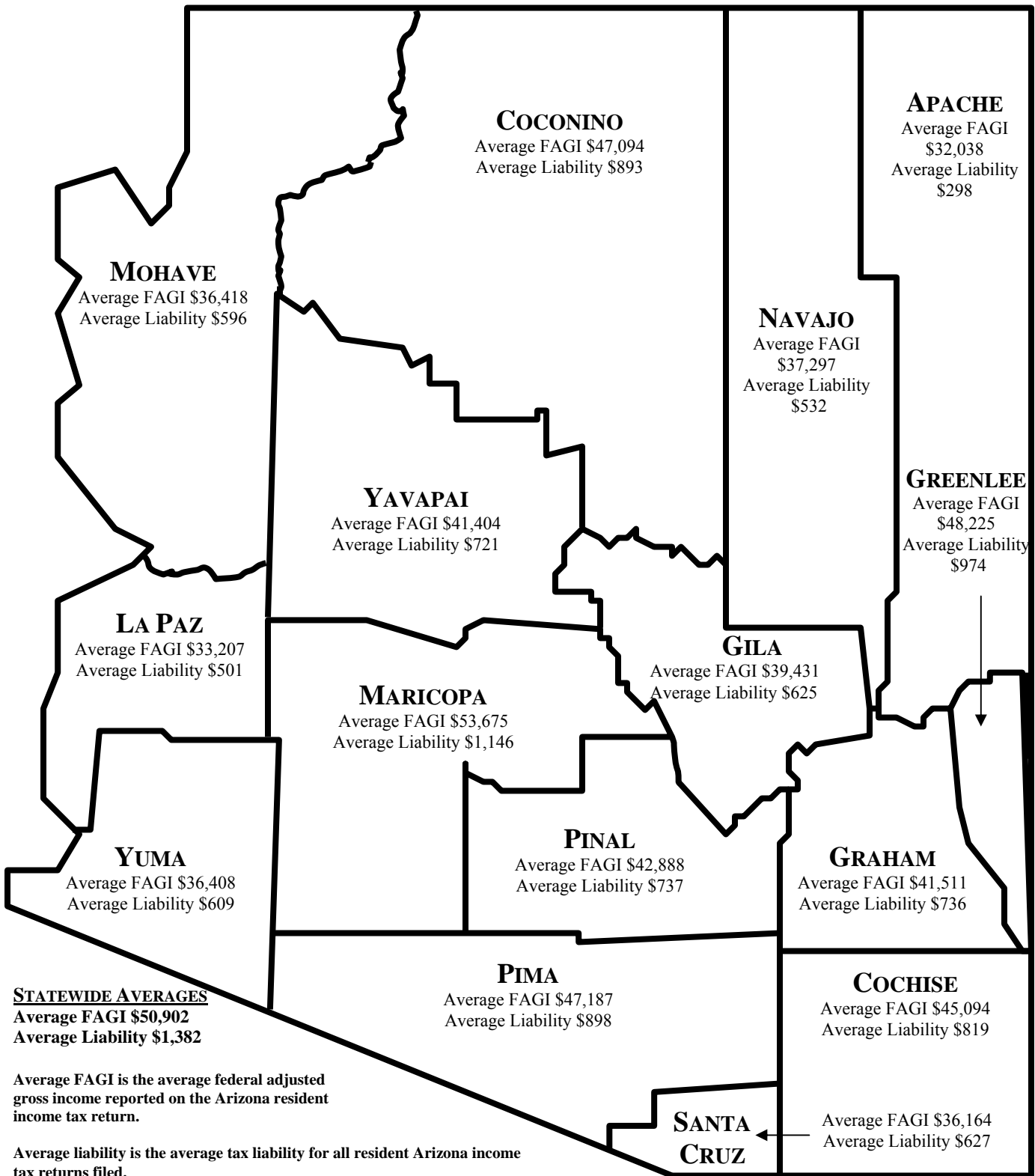


TABLE 34
URBAN REVENUE SHARING
FISCAL YEAR 2007-08 THROUGH FISCAL YEAR 2011-12

FISCAL YEAR	AMOUNT
2007-08	\$684,538,927
2008-09	\$727,677,400 (1)
2009-10	\$628,644,630
2010-11	\$474,006,520
2011-12	\$424,423,442

(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 2011-12**

CITIES BY COUNTY	AMOUNT	% OF TOTAL	CITIES BY COUNTY	AMOUNT	% OF TOTAL
APACHE					
Eagar	\$412,298	0.10%	Queen Creek	\$2,224,888	0.52%
St. Johns	293,715	0.07%	Scottsdale	18,347,454	4.32%
Springerville	165,510	0.04%	Surprise	9,918,521	2.34%
COCHISE			Tempe	13,649,203	3.22%
Benson	430,866	0.10%	Tolleson	552,403	0.13%
Bisbee	470,534	0.11%	Wickenburg	537,042	0.13%
Douglas	1,466,716	0.35%	Youngtown	519,571	0.12%
Huachuca City	156,395	0.04%	MOHAVE		
Sierra Vista	3,704,180	0.87%	Bullhead City	3,337,205	0.79%
Tombstone	126,601	0.03%	Colorado City	406,896	0.10%
Willcox	317,094	0.07%	Kingman	2,368,960	0.56%
COCONINO			Lake Havasu City	4,433,318	1.04%
Flagstaff	5,559,477	1.31%	NAVAJO		
Fredonia*	126,601	0.03%	Holbrook	426,477	0.10%
Page	611,652	0.14%	Pinetop-Lakeside	361,404	0.09%
Tusayan*	126,601	0.03%	Show Low	899,712	0.21%
Williams	255,143	0.06%	Snowflake	471,800	0.11%
GILA			Taylor	347,056	0.08%
Globe	635,706	0.15%	Winslow	814,889	0.19%
Hayden*	126,601	0.03%	PIMA		
Miami	155,044	0.04%	Marana	2,950,734	0.70%
Payson	1,291,416	0.30%	Oro Valley	3,461,359	0.82%
Star Valley	194,966	0.05%	Sahuarita	2,131,878	0.50%
Winkelman*	126,601	0.03%	South Tucson	477,033	0.11%
GRAHAM			Tucson	43,898,174	10.34%
Pima	239,044	0.06%	PINAL		
Safford	787,339	0.19%	Apache Junction	3,024,922	0.71%
Thatcher	410,610	0.10%	Casa Grande	4,099,428	0.97%
GREENLEE			Coolidge	998,039	0.24%
Clifton	279,451	0.07%	Eloy	1,403,669	0.33%
Duncan*	126,601	0.03%	Florence	2,155,257	0.51%
LA PAZ			Kearny	164,581	0.04%
Parker	260,207	0.06%	Mammoth	126,601	0.03%
Quartzsite	310,342	0.07%	Maricopa	3,669,913	0.86%
MARICOPA			Superior	239,445	0.06%
Avondale	6,434,543	1.52%	SANTA CRUZ		
Buckeye	4,293,972	1.01%	Nogales	1,758,658	0.41%
Carefree	283,840	0.07%	Patagonia*	126,601	0.03%
Cave Creek	423,270	0.10%	YAVAPAI		
Chandler	19,928,955	4.70%	Camp Verde	917,689	0.22%
El Mirage	2,683,690	0.63%	Chino Valley	912,963	0.22%
Fountain Hills	1,898,088	0.45%	Clarkdale	345,790	0.08%
Gila Bend	162,218	0.04%	Cottonwood	950,774	0.22%
Gilbert	17,593,587	4.15%	Dewey-Humboldt	328,656	0.08%
Glendale	19,135,420	4.51%	Jerome*	126,601	0.03%
Goodyear	5,509,258	1.30%	Prescott	3,362,779	0.79%
Guadalupe	466,145	0.11%	Prescott Valley	3,276,605	0.77%
Litchfield Park	462,178	0.11%	Sedona	846,624	0.20%
Mesa	37,055,384	8.73%	YUMA		
Paradise Valley	1,082,017	0.25%	San Luis	2,152,641	0.51%
Peoria	13,003,200	3.06%	Somerton	1,205,833	0.28%
Phoenix	122,012,407	28.75%	Wellton	243,243	0.06%
			Yuma	7,854,670	1.85%
			TOTAL	\$424,423,442	100.00%

City distributions are based on relative population.

*Population adjusted to reflect minimum requirement of 1,500 per HB 2391, Chapter 290, 2nd Regular Session, 2008.

Figures may not add to total due to rounding.

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 the department appraises 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 the department adopted, are responsible for the appraisal and assessment of other classes of property, including residential, commercial, and agricultural properties (Locally Assessed Properties).

Appeals of valuation or classification 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 rail car companies) and distribute receipts to all taxing entities. The department collects taxes levied on airline flight property and private rail cars and deposits the taxes with the Arizona State Treasurer. Taxes on airline flight properties and private rail 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 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 Property Unit is responsible for the annual valuation of 11 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	20%
1.3-1.7, 1.11	Utilities	20%
1.12	Commercial Real	20%
1.13	Commercial Personal	First \$67,268 exempt; 20% on the remainder
2R	Agricultural Real; Vacant Land	16%
2P	Agricultural Personal	First \$67,268 exempt; 16% on the remainder
3	Residential	10%
4	Rental Residential	10%
5	Railroads, Airlines	15%
6	Historic Property; Foreign Trade Zones; Qualified Environmental Technology Facilities	5%
7	Commercial Historic	Combination 1% and 20%
8	Rental Residential Historic	Combination 1% and 10%
9	Improvements on government property	1%

INDUSTRIES VALUED BY THE DEPARTMENT

Industry	Number of Companies		
	2010	2011	2012
Airlines (Flight Property).....	29	28	28
Electric & Gas*			
Generation	36	38	53
Transmission and Distribution.....	29	29	32
Mines (non-producing)	1	1	1
Mines (producing).....	35	35	30
Pipelines (Gas Transmission)	8	8	8
Private Rail Cars	260	284	289
Producing Oil & Gas Interests	3	3	3
Railroads	11	11	11
Telecommunications	67	65	63
Water Utilities.....	326	327	316
Total	805	829	834

* Includes Salt River Project

**TABLE 36
STATE OF ARIZONA
2012 PRIMARY PROPERTY TAX LEVIES**

TAX AUTHORITY	NET ASSESSED VALUATION	STATE	COUNTY	CITIES and TOWNS	COMMUNITY COLLEGES	SCHOOLS	ALL OTHER	TOTAL	PRIMARY RATE
APACHE	\$544,620,229	\$2,568,974	\$2,256,362	\$0	\$0	\$10,998,830	\$0	\$15,824,166	2.91
COCHISE	\$1,038,327,080	\$4,919,534	\$27,283,082	\$2,368,358	\$17,993,170	\$43,899,484	\$0	\$96,463,628	9.29
COCONINO	\$1,747,818,103	\$9,108,415	\$7,830,225	\$6,016,566	\$6,772,795	\$58,962,599	\$0	\$88,690,600	5.07
GILA	\$490,120,381	\$2,311,898	\$20,536,044	\$2,441,991	\$3,654,828	\$18,789,021	\$0	\$47,733,782	9.74
GRAHAM	\$208,931,298	\$985,529	\$4,361,232	\$240,677	\$5,040,050	\$9,088,728	\$0	\$19,716,216	9.44
GREENLEE	\$378,114,177	\$1,788,193	\$2,349,223	\$269,161	\$0	\$7,335,410	\$0	\$11,741,987	3.11
LA PAZ	\$227,958,224	\$1,075,279	\$4,250,702	\$0	\$3,846,567	\$5,397,480	\$0	\$14,570,028	6.39
MARICOPA	\$34,263,842,274	\$175,940,765	\$425,383,416	\$213,843,820	\$396,192,808	\$1,384,931,976	\$0	\$2,596,292,785	7.58
MOHAVE	\$1,791,765,155	\$8,451,756	\$32,602,959	\$4,134,174	\$19,621,621	\$64,235,800	\$0	\$129,046,310	7.20
NAVAJO	\$974,292,390	\$4,840,141	\$6,236,446	\$388,535	\$13,167,562	\$32,059,680	\$0	\$56,692,364	5.82
PIMA	\$8,073,937,734	\$38,437,212	\$276,026,652	\$13,724,504	\$92,721,101	\$373,941,491	\$0	\$794,850,960	9.84
PINAL	\$2,153,783,739	\$10,162,272	\$81,917,148	\$16,550,523	\$34,714,686	\$82,347,227	\$0	\$225,691,856	10.48
SANTA CRUZ	\$369,498,126	\$1,746,323	\$10,425,390	\$0	\$258,279	\$18,530,350	\$0	\$30,960,342	8.38
YAVAPAI	\$2,405,473,723	\$11,346,620	\$39,512,311	\$1,556,799	\$40,231,600	\$78,130,088	\$0	\$170,777,418	7.10
YUMA	\$1,186,605,732	\$5,597,219	\$22,341,759	\$9,990,201	\$20,022,785	\$47,442,532	\$0	\$105,394,496	8.88
TOTAL STATE	\$55,855,088,365	\$279,280,130	\$963,312,951	\$271,525,309	\$654,237,852	\$2,236,090,696	\$0	\$4,404,446,938	7.89
AVERAGE STATE PRIMARY TAX RATE PER \$100									7.89

2011 PRIMARY PROPERTY TAX LEVIES

TAX AUTHORITY	NET ASSESSED VALUATION	STATE	COUNTY	CITIES and TOWNS	COMMUNITY COLLEGES	SCHOOLS	ALL OTHER	TOTAL	PRIMARY RATE
APACHE	\$525,209,726	\$2,236,868	\$2,239,494	\$0	\$0	\$10,607,086	\$0	\$15,083,448	2.87
COCHISE	\$1,049,827,355	\$4,494,193	\$27,585,264	\$2,304,942	\$17,486,974	\$39,113,583	\$0	\$90,984,956	8.67
COCONINO	\$1,808,850,474	\$9,445,305	\$7,783,484	\$5,981,316	\$6,600,495	\$59,836,772	\$0	\$89,647,372	4.96
GILA	\$517,793,688	\$2,205,283	\$21,695,556	\$2,053,913	\$3,538,084	\$20,103,782	\$0	\$49,596,618	9.58
GRAHAM	\$228,474,104	\$973,071	\$4,239,565	\$236,765	\$4,899,627	\$3,563,870	\$0	\$13,912,898	6.09
GREENLEE	\$280,460,740	\$1,194,482	\$2,169,644	\$269,798	\$0	\$6,929,594	\$0	\$10,563,518	3.77
LA PAZ	\$226,792,253	\$965,908	\$4,477,786	\$0	\$3,665,643	\$5,211,975	\$0	\$14,321,312	6.31
MARICOPA	\$38,492,098,635	\$178,076,209	\$477,883,528	\$208,804,913	\$389,655,514	\$1,391,892,912	\$0	\$2,646,313,076	6.87
MOHAVE	\$1,932,681,722	\$8,231,291	\$35,167,077	\$4,096,455	\$18,899,694	\$66,607,730	\$0	\$133,002,247	6.88
NAVAJO	\$1,026,137,125	\$4,396,690	\$6,140,405	\$378,353	\$12,710,760	\$31,553,989	\$0	\$55,180,197	5.38
PIMA	\$8,310,120,212	\$35,689,873	\$284,113,374	\$14,761,306	\$90,131,564	\$350,483,227	\$0	\$775,179,344	9.33
PINAL	\$2,160,151,164	\$9,203,084	\$86,487,234	\$16,408,929	\$34,713,629	\$76,977,051	\$0	\$223,789,927	10.36
SANTA CRUZ	\$382,619,719	\$1,632,979	\$10,795,615	\$0	\$267,451	\$18,595,985	\$0	\$31,292,030	8.18
YAVAPAI	\$2,712,177,881	\$14,337,685	\$38,797,705	\$1,716,796	\$38,714,700	\$81,174,579	\$0	\$174,741,465	6.44
YUMA	\$1,247,085,332	\$5,311,336	\$23,478,870	\$10,496,746	\$20,156,641	\$50,007,592	\$0	\$109,451,185	8.78
TOTAL STATE	\$60,900,480,130	\$278,394,257	\$1,033,054,601	\$267,510,232	\$641,440,776	\$2,212,659,727	\$0	\$4,433,059,593	7.28
AVERAGE STATE PRIMARY TAX RATE PER \$100									7.28

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

**TABLE 37
STATE OF ARIZONA
2012 SECONDARY PROPERTY TAX LEVIES**

TAX AUTHORITY	NET ASSESSED VALUATION	STATE	COUNTY	CITIES and TOWNS	COMMUNITY COLLEGES	SCHOOLS	ALL OTHER	TOTAL	SECONDARY RATE
APACHE	\$559,493,639	\$0	\$4,497,769	\$0	\$2,095,863	\$1,734,913	\$5,446,692	\$13,775,237	2.46
COCHISE	\$1,060,199,126	\$0	\$4,832,682	\$177,287	\$0	\$4,539,190	\$9,228,798	\$18,777,957	1.77
COCONINO	\$1,759,609,915	\$0	\$13,301,181	\$6,402,304	\$1,851,110	\$19,394,030	\$16,879,321	\$57,827,946	3.29
GILA	\$492,484,092	\$0	\$1,477,692	\$0	\$0	\$5,391,198	\$6,741,611	\$13,610,501	2.76
GRAHAM	\$211,389,440	\$0	\$304,908	\$0	\$0	\$1,726,386	\$569,880	\$2,601,174	1.23
GREENLEE	\$378,231,572	\$0	\$797,234	\$0	\$0	\$1,952,459	\$38,430	\$2,788,123	0.74
LA PAZ	\$235,015,726	\$0	\$235,016	\$0	\$815,505	\$1,544,604	\$4,570,142	\$7,165,266	3.05
MARICOPA	\$34,400,455,716	\$0	\$75,292,003	\$223,914,876	\$76,200,590	\$873,802,428	\$174,158,992	\$1,423,368,889	4.14
MOHAVE	\$1,831,583,253	\$0	\$18,216,611	\$0	\$0	\$16,497,031	\$21,529,905	\$56,243,547	3.07
NAVAJO	\$978,263,926	\$0	\$5,520,268	\$0	\$0	\$12,867,868	\$14,281,939	\$32,670,075	3.34
PIMA	\$8,171,211,922	\$0	\$114,748,124	\$29,355,150	\$2,098,625	\$120,503,012	\$76,951,679	\$343,656,590	4.21
PINAL	\$2,177,012,575	\$0	\$6,898,746	\$3,701,918	\$5,808,270	\$41,201,933	\$25,855,087	\$83,465,954	3.83
SANTA CRUZ	\$375,669,863	\$0	\$2,329,283	\$0	\$0	\$3,541,475	\$6,757,328	\$12,628,086	3.36
YAVAPAI	\$2,414,825,073	\$0	\$12,518,091	\$1,588,549	\$5,192,500	\$17,886,655	\$36,396,771	\$73,582,566	3.05
YUMA	\$1,226,368,745	\$0	\$13,015,784	\$0	\$4,256,028	\$14,634,177	\$971,199	\$32,877,188	2.68
TOTAL STATE	\$56,271,814,583	\$0	\$273,985,392	\$265,140,084	\$98,318,491	\$1,137,217,359	\$400,377,774	\$2,175,039,100	3.87
AVERAGE STATE SECONDARY TAX RATE PER \$100				3.87					

2011 SECONDARY PROPERTY TAX LEVIES

TAX AUTHORITY	NET ASSESSED VALUATION	STATE	COUNTY	CITIES and TOWNS	COMMUNITY COLLEGES	SCHOOLS	ALL OTHER	TOTAL	SECONDARY RATE
APACHE	\$550,508,747	\$0	\$7,829,871	\$0	\$1,921,276	\$2,308,541	\$5,237,775	\$17,297,463	3.14
COCHISE	\$1,092,081,033	\$0	\$4,870,685	\$172,132	\$0	\$4,213,781	\$9,697,104	\$18,953,702	1.74
COCONINO	\$1,840,142,610	\$0	\$13,945,574	\$6,620,618	\$1,996,555	\$20,440,975	\$16,731,306	\$59,735,028	3.25
GILA	\$526,039,289	\$0	\$1,578,373	\$61,921	\$0	\$5,883,293	\$7,195,453	\$14,719,040	2.80
GRAHAM	\$238,954,912	\$0	\$336,296	\$0	\$0	\$1,704,528	\$602,886	\$2,643,710	1.11
GREENLEE	\$280,746,565	\$0	\$578,296	\$0	\$0	\$1,733,843	\$38,521	\$2,350,660	0.84
LA PAZ	\$241,409,065	\$0	\$241,409	\$0	\$795,926	\$1,514,274	\$4,534,093	\$7,085,702	2.94
MARICOPA	\$38,760,296,714	\$0	\$84,722,990	\$260,146,003	\$75,935,239	\$873,526,511	\$179,923,390	\$1,474,254,133	3.80
MOHAVE	\$1,997,158,478	\$0	\$19,861,822	\$0	\$0	\$16,063,286	\$22,864,708	\$58,789,816	2.94
NAVAJO	\$1,040,412,117	\$0	\$6,024,536	\$0	\$0	\$12,692,116	\$14,814,242	\$33,530,894	3.22
PIMA	\$8,448,281,586	\$0	\$118,789,320	\$26,146,666	\$2,093,725	\$134,920,546	\$77,768,870	\$359,719,127	4.26
PINAL	\$2,218,641,620	\$0	\$6,672,552	\$3,772,628	\$5,455,640	\$43,759,239	\$27,551,391	\$87,211,450	3.93
SANTA CRUZ	\$399,635,559	\$0	\$2,489,025	\$0	\$0	\$3,874,675	\$7,015,750	\$13,379,450	3.35
YAVAPAI	\$2,753,690,772	\$0	\$12,658,691	\$1,589,986	\$5,234,100	\$18,367,241	\$37,771,365	\$75,621,383	2.75
YUMA	\$1,312,293,848	\$0	\$13,724,004	\$0	\$4,326,208	\$17,301,832	\$1,003,825	\$36,355,869	2.77
TOTAL STATE	\$61,700,292,915	\$0	\$294,323,444	\$298,509,954	\$97,758,669	\$1,158,304,681	\$412,750,679	\$2,261,647,427	3.67
AVERAGE STATE SECONDARY TAX RATE PER \$100				3.67					

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
2009 THROUGH 2012**

	2009		2010	
	PRIMARY	SECONDARY	PRIMARY	SECONDARY
School Districts	\$3.19	\$1.51	\$3.17	\$1.69
Counties	1.42	0.37	1.51	0.42
State	0.36	0.00	0.39	0.00
Cities and Towns	0.35	0.51	0.38	0.50
Community Colleges	0.80	0.14	0.87	0.15
Special Districts	0.00	0.53	0.00	0.59
	\$6.13	\$3.07	\$6.32	\$3.35
TOTAL	\$9.20		\$9.67	
	2011		2012	
	PRIMARY	SECONDARY	PRIMARY	SECONDARY
School Districts	\$3.63	\$1.88	\$4.00	\$2.02
Counties	1.70	0.48	1.72	0.49
State	0.46	0.00	0.50	0.00
Cities and Towns	0.44	0.48	0.49	0.47
Community Colleges	1.05	0.16	1.17	0.17
Special Districts	0.00	0.67	0.00	0.71
	\$7.28	\$3.67	\$7.89	\$3.87
TOTAL	\$10.94		\$11.75	

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 (*Refer to Table 39*).

TABLE 39
BINGO COLLECTIONS
FISCAL YEAR 2007-08 THROUGH FISCAL YEAR 2011-12

	Fiscal Year					Amount
	2007-08					\$558,330
	2008-09					\$531,588
	2009-10					\$520,655
	2010-11					\$504,905
	2011-12					\$508,145

	BINGO COLLECTIONS				
	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12
Licenses	\$18,393	\$19,735	\$19,718	\$27,576	\$18,164
Proceeds	539,576	510,177	499,206	476,482	486,056
Penalty, Interest and Miscellaneous	361	1,676	1,731	847	3,926
TOTAL	\$558,330	\$531,588	\$520,655	\$504,905	\$508,145

ESTATE TAX

Arizona's Estate Tax was effectively repealed January 1, 2005, following the elimination of the Federal State Death Tax Credit by Congress. 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 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.

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.

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.

TABLE 40
ESTATE TAX COLLECTIONS
FISCAL YEAR 2007-08 THROUGH FISCAL YEAR 2011-12

Fiscal Year	Collections	Refunds	Net
2007-08	\$414,711	\$94,508	\$320,203
2008-09	\$234,065	\$23,693	\$210,372
2009-10	\$363,755	\$0	\$363,755
2010-11	\$437,372	\$0	\$437,372
2011-12	\$200,825	\$0	\$200,825

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 2012 fiscal year, over \$388 million was received in luxury tax collections.

Of the monies collected per the Tobacco Products Referendum (Prop 303), \$39.8 million was distributed to the Prop 204 Protection Account, \$25.6 million to the Medically Needy Account, \$18.9 million for Emergency Health Services, \$4.7 million for Health Research, and \$1.9 million for Health Education. Due to the passage of the Tobacco Tax and Health Care Initiative in November 1994, \$46.9 million was distributed to the Medically Needy Fund, \$15.4 million to the Health Education Fund and \$3.4 million to the Health Research Fund. The Corrections Fund, established by the Legislature in 1984 to pay for prison construction, received \$28.5 million. The Drug Treatment and Education Fund received \$8.8 million, and the Corrections Revolving Fund received \$3.5 million due to the passage of Proposition 200 in 1994. The Smoke Free AZ fund received \$3.0 million due to the passage of Proposition 201 in 2006. The Early Childhood Development and Health Fund received \$129.4 million due to the passage of Proposition 203 in 2006. The remaining \$56.4 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
------------	---------

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 2007-08 THROUGH FISCAL YEAR 2011-12

SOURCE:	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	PERCENT OF COLLECTIONS IN FY2011-12
Spirituous Liquor	\$27,613,939	\$28,341,033	\$29,304,713	\$28,202,704	\$31,847,105	8.2%
Vinous Liquor	13,006,487	13,006,125	13,881,407	13,596,155	15,430,577	4.0%
Malt Liquor	23,936,126	22,831,547	22,232,715	21,566,369	21,101,489	5.4%
Liquor Collections	\$64,556,551	\$64,178,705	\$65,418,835	\$63,365,229	\$68,379,171	
Tobacco - All Types						
Gross Revenue	\$412,769,855	\$380,593,991	\$340,839,935	\$340,754,224	\$337,777,289	
Refunds	(4,761,258)	(6,251,626)	(6,635,450)	(12,281,284)	(17,978,338)	
Licenses	7,100	7,075	7,900	7,710	7,925	
Administrative Expenses	(587,463)	(646,800)	(662,742)	(673,071)	(677,280)	
Net Tobacco Collections	\$407,428,234	\$373,702,640	\$333,549,643	\$327,807,579	\$319,129,597	82.4%
TOTAL COLLECTIONS	\$471,984,785	\$437,881,344	\$398,968,478	\$391,172,807	\$387,508,768	100.0%
DISTRIBUTIONS:						
State General Fund	\$61,037,231	\$57,878,187	\$55,352,260	\$53,599,408	\$56,357,085.38	
Wine Promotional Fund (4)	29,003	-----	-----	-----	-----	
Tobacco Tax & Health Care Fund (1)	79,033,025	73,785,519 (5)	65,051,516	64,799,725	61,879,113	
Tobacco Products Tax Fund (1)	116,127,254	108,934,079 (5)	96,335,427	95,586,289	90,953,118	
Drug Treatment & Education Fund	8,576,309	8,434,654	8,551,873	8,303,445	8,805,071	
DOC Revolving Fund	3,411,936	3,358,868	3,407,130	3,307,459	3,512,659	
Department of Corrections Fund	28,703,383	26,861,628	28,587,983	27,130,247	28,518,897	
DOC Transfer from Prop 200 Funds	1,479,783	1,855,867	637,075	1,322,335	1,259,100	
Prop 200 Transfer from Prop 303 Funds (1)	4,835,440	2,539,738	4,037,828	3,982,185	3,789,120	
Smoke Free AZ (2)	3,946,308	2,868,990	3,888,483	3,058,479	3,043,448	
Early Childhood Development and Health Fund (3)	164,805,113	151,363,815	133,118,902	130,083,235	129,391,158	
TOTAL DISTRIBUTIONS	\$471,984,785	\$437,881,344	\$398,968,478	\$391,172,807	\$387,508,768	

- (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 intangible and tangible personal property that is presumed to be abandoned. This property is received from business associations, banking and financial institutions, insurance companies, fiduciaries, state courts, and governmental agencies.

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 two 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 three years.
- Cashier and other official checks not cashed in three years.
- Checks written to vendors or customers not cashed after three years.
- Money orders not cashed in three 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 State School Fund. *(Refer to Table 42.)*

TABLE 42
UNCLAIMED PROPERTY COLLECTIONS AND DISTRIBUTIONS
FISCAL YEAR 2007-08 THROUGH FISCAL YEAR 2011-12

SOURCE:	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12
UNCLAIMED PROPERTY	\$136,446,760	\$74,337,392	\$161,637,025	\$121,263,602	\$115,160,041
Refunds	(27,859,528)	(22,267,197)	(24,207,862)	(34,677,629)	(40,049,513)
Expenses	(5,555,692)	(2,099,913)	----- (5)	-----	-----
NET	\$103,031,540	\$49,970,281	\$137,429,163	\$86,585,973	\$75,110,528
ESCHEATED ESTATES	647,669	643,679	320,538	370,786	186,322
Refunds	(281,484)	(466,307)	(94,959)	(230,340)	(158,988)
NET	\$366,184	\$177,373	\$225,579	\$140,446	\$27,334
TOTAL NET REVENUE	\$103,397,724	\$50,147,654	\$137,654,742	\$86,726,419	\$75,137,862
DISTRIBUTIONS:					
General Fund	9,755,359	9,526,605	100,034,835	49,120,855	45,819,445
Housing Fund	33,684,313	28,554,062	10,500,000 (5)	10,500,000	2,500,000
SMI Housing Fund (7)	-----	-----	-----	-----	2,000,000
Utility Assistance Fund	26,336 (3)	-----	-----	-----	-----
Racing Fund	12,248,841	10,383,295	----- (5)	-----	-----
Victim Restitution Fund	173,068	144,618	739,422	1,143,835	100,540
HB 2786 Sec Sale	47,132,471 (2)	-----	-----	-----	-----
Operating transfers (4)	-----	1,352,600	1,634,300	1,262,200	-----
Admin Fund (5)	-----	-----	24,500,000	24,500,000	24,500,000
Net to Permanent State School Fund:					
Escheated Estates	366,184	177,373 (6)	225,579	140,446	27,334 (1)
Unclaimed Shares/dividends	7,208	6,719	19,914	58,381	184,618
Storage Facility	3,944	2,383	692	701	5,925
TOTAL DISTRIBUTION	\$103,397,724	\$50,147,654	\$137,654,742	\$86,726,419	\$75,137,862

(1) FY 12 Escheated Estates will be transferred in FY 13.

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

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

(4) Pursuant to SB 1001, Chapter 1, 1st Special Session, 2009.

(5) Pursuant to SB 1003, Chapter 3, 4th Special Session, 2009.

(6) Pursuant to HB 2051, Chapter 1, 1st Regular Session, 2009, \$189,600 transferred to the State General Fund, remaining cash balance of \$798.53 moved to PSF in FY 10.

(7) Pursuant to SB 1616, Chapter 28, 1st Regular Session, 2011.

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 2012, the department collected \$8,518,868 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 2007-08 THROUGH FISCAL YEAR 2011-12

	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12
Apache	\$103,134	\$95,378	\$97,963	\$103,880	\$110,216
Cochise	216,915	199,557	204,708	215,256	225,450
Coconino	205,128	187,696	191,303	200,347	211,898
Gila	112,443	103,035	105,054	110,165	115,502
Graham	49,073	46,443	47,450	48,835	51,514
Greenlee	16,192	15,263	15,395	15,231	16,315
La Paz	47,522	44,034	45,573	49,117	52,807
Maricopa	4,814,030	4,319,137	4,296,301	4,357,598	4,531,883
Mohave	403,198	366,003	370,916	390,315	413,996
Navajo	171,073	157,354	160,731	168,210	176,949
Pima	1,152,277	1,047,700	1,057,356	1,092,320	1,133,099
Pinal	369,984	354,234	365,864	393,137	414,977
Santa Cruz	78,644	72,277	73,531	77,565	82,081
Yavapai	406,174	369,189	372,547	387,234	407,032
Yuma	254,235	236,624	243,142	260,715	276,990
Arizona Department of Environmental Quality	304,664	276,153	277,383	285,438	298,160
Total	\$8,704,684	\$7,890,076	\$7,925,216	\$8,155,363	\$8,518,868

Figures may not add to total due to rounding.

LEGISLATIVE SUMMARY

LEGISLATIVE SUMMARY

The following is intended to give a brief summary of the 2012 tax-related legislation impacting the Department of Revenue (DOR) and not intended to discuss the details of any specific enactment. Detailed summaries of these bills can also be found at www.azleg.gov. Please refer to the particular legislation for more definitive information.

The general effective date for legislation enacted during the First Regular Session is August 2, 2012. 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 2120 (Chapter 38)

Internal revenue code conformity

Incorporates the federal changes made in 2011 into Arizona's definition of "internal revenue code."

House Bill 2212 (Chapter 71)

Tax exempt organizations; returns; exception

Increases, from \$25,000 to \$50,000, the maximum income amount a tax exempt organization may have before being required to file an Arizona income tax return.

House Bill 2627 (Chapter 271)

Tax credit; charitable organizations

Modifies certification criteria required by DOR to qualify as a charitable organization by removing the requirement that organizations declare if they promote or provide referrals for abortions.

House Bill 2713 (Chapter 351)

Insurance premiums; long-term care; deduction (Arizona long term care trust)

Establishes an individual income tax subtraction for long-term care insurance premiums paid by taxpayers not claiming itemized deductions. Also establishes an individual income tax subtraction for amounts deposited into a long-term care savings account, as long as the amounts are included in the individual's federal adjusted gross income.

House Bill 2727 (Chapter 77)

Public school tax refund checkoff

Modifies the Assistance for Education Fund tax refund checkoff box to allow individual taxpayers to contribute any portion of their refund.

House Bill 2779 (Chapter 257)

Clean elections; trigger reports; repeal

Eliminates matching fund reporting requirements for nonparticipating candidates under the Clean Elections Act.

Eliminates voluntary tax donation check off for Clean Elections from the Arizona individual income tax form and eliminates tax credits and tax reductions for contributions to Clean Elections.

House Bill 2815 (Chapter 343)

Employment; incentives; regulatory tax credit

Qualified Facility Credit

Adds new, refundable corporate and individual income tax credits for taxpayers that open a qualified facility in Arizona. A qualified facility is a facility that devotes at least 80% of the property and payroll at the facility to one or more of the following:

- Manufacturing of tangible products in this state if at least 65% of the product will be sold out-of-state.
- A global, national, or regional headquarters for a taxpayer that is involved in manufacturing and that derives at least 65% of its revenue from out-of state sales.

- Qualified research conducted by a taxpayer that derives at least 65% of its revenue from out of state.

The new qualified facility credit is tied to the same cap as the existing renewable energy industry cap of \$70 million per year, with an annual limit of \$30 million per taxpayer. The existing renewable energy industry credit is modified to also have the same per taxpayer cap. The credit is claimed in five equal installments and any amount in excess of tax liability is refunded.

The amount of the credit is the **10% of the lesser** of:

1. The total qualifying investment in the qualified facility; or
2. \$200,000 for each net new full-time employment position at the qualified facility.

At least 51% of the net new full-time employment positions at the qualified facility must be paid a wage of at least 125% of the median annual wage in Arizona. The positions must include health insurance for which the applicant pays at least 80% of the premium or membership costs.

The credit is subject to pre and post approvals by the Arizona Commerce Authority (ACA) and the taxpayer must enter into a managed review agreement with the ACA to be conducted by an unaffiliated CPA chosen by the taxpayer at their own expense. The managed review must be completed before the applicant applies for post-approval of the credit.

Quality Jobs

Modifies the existing premium tax, corporate income tax, and individual income tax credits for tax years beginning from and after December 31, 2012 for new employment by allowing:

- Mandatory investment and hiring to be done in a twelve month period from the start of the investment. The credit would be allowed in the year completed.
- New first year credits for new employees hired to be claimed for each of three years at the location once the initial requirements are met.
- Taxpayers to include employees hired after the start of the required investment even though the employees are working at a temporary work site while construction is completed at the designated location as long as the employee was hired to work at the designated location, the payroll for employees destined for the designated location is segregated and the employee is moved to the designated location within 30 days of its completion.

The annual cap of 400 employees per taxpayer is eliminated.

The credits are not subject to pre-approval by the ACA before a credit may be claimed.

Capital Gains

Provides for an individual income tax subtraction for long-term capital gains from assets acquired after December 31, 2011. The subtraction is phased in over time with a 10% subtraction for 2013, 20% for 2014 and 25% for 2015 and after.

Bonus depreciation

Currently, Arizona adds back all federal depreciation claimed and then allows a subtraction for the amount of depreciation a taxpayer would have been allowed if they had chosen not to claim bonus depreciation on their federal return. The amendment would allow individual income tax taxpayers to claim a subtraction for property placed in service in 2014 or after to claim the subtraction for depreciation as if the federal bonus depreciation allowed was 10% of the amount allowed federally. For assets placed in service in tax year 2013, the taxpayer would start out claiming depreciation based on opting out of the bonus depreciation but in tax year 2014 they will be able to take a subtraction to make the depreciation claimed to date the same as if the taxpayer had claimed a bonus depreciation equal to ten percent of the federal bonus depreciation in the prior year.

Net operating Loss Deduction for Corporations

Allows net operating losses arising in taxable periods beginning from and after December 31, 2011 to be carried forward for 20 years for corporate income tax purposes.

Business Personal Property Tax

Changes the methodology for annually indexing the business personal property exemption beginning in 2013 and specifies that the exemption should be re-calculated as if this had been in effect since 1997.

The old index was the change in the Employment Cost Index over one year; the new index will be the change in the same index over two years (effectively doubling the rate of increase of the exemption). The net effect would be to increase the exemption from \$68,079 in 2012 to approximately \$133,000 in 2013.

Senate Bill 1046 (Chapter 2)

Corporate tax allocation; sales factor

Modifies the corporate apportionment formula by allowing certain sales of services to be included in the sales factor.

SB 1046 allows service providers that sell more than 85% of their services to customers that receive the benefit of the service outside of Arizona to include sales in the sales factor based on market (where the customers are) rather than cost of performance (COP).

The election will be phased-in starting in taxable years beginning January 1, 2014 with a sales factor that is 85% market sales and 15% COP sales. The market sales percentage increases 5% each year and the COP sales decreasing 5% each year until the percentage of market sales included in the sales factor reaches 100% in 2017.

The election is not mandatory, but if made, is binding for 5 consecutive tax years.

The law is effective for tax years beginning January 1, 2014.

Senate Bill 1047 (Chapter 4)

School tuition organizations; administration (tax credit; school tuition organizations)

Establishes an additional individual income tax credit for contributions to certified school tuition organizations. The amount of the credit is \$500 for a single individual or a head of household or \$1,000 for a married couple filing a joint return and is limited to taxpayers who have claimed a maximum credit pursuant to ARS § 43-1089. A taxpayer may only claim the excess amount under the new STO credit.

The excess STO credit monies for educational scholarships or tuition grants may only be awarded to a student who:

- attended a governmental primary or secondary school as a full-time student or attended a preschool program that offers services to students with disabilities at a governmental school for at least 90 days of the prior fiscal year and transferred from a governmental school to a qualified school;
- enrolls in a qualified school in a kindergarten program or a preschool program that offers services to students with disabilities;

- is the dependent of a member of the Armed Forces of the United States who is stationed in this state;
- received an education scholarship or tuition grant under the above paragraphs and continues to attend a qualified school in a subsequent year.

A taxpayer may not claim the excess STO credit if the contribution is designated for the direct benefit of any dependent of the taxpayer, is a condition of the contribution, has the intent to benefit the taxpayer's dependent, or coordinates with other taxpayer(s) to designate each taxpayer's contribution to the STO organization for the direct benefit of the other taxpayer's dependent.

STOs are prohibited from knowingly colluding with any other STO to issue educational scholarships or tuition grants that exceed statutory limits.

Senate Bill 1121 (Chapter 178)

Tax subtraction; charitable crop contributions

Expands the individual taxable income subtraction on qualifying donated crops by removing the cap of 80% of the crop value and allowing crops to be donated out-of-state. Additionally, SB 1121 eliminated certain eligibility requirements, including:

- Harvesting must be done by or on behalf of a donee;
 - Harvesting or processing the crop must be economically unfeasible in the taxpayer's normal course of business;
 - The crop would go to waste if not donated.
-

Senate Bill 1122 (Chapter 35)

Tax refund checkoff boxes

Removes the requirement that space for certain voluntary tax donations be provided on the front page of the Arizona income tax return. The checkoff boxes that affected are for the Child Abuse Prevention Fund, Special Olympics, Arizona Game and Fish Department, Neighbors Helping Neighbors and the Domestic Violence Shelter Fund.

Senate Bill 1190 (Chapter 281)

Tax credit; military family relief

Extends the individual income tax credit for donations made to the Military Family Relief Fund through tax year 2018.

Senate Bill 1196 (Chapter 143)

College savings; report; income subtraction

Makes the individual income tax subtraction for contributions to a qualified college savings plan permanent and extends the deadline of the Arizona Commission for Postsecondary Education annual report from February 1 to March 1.

**Transaction Privilege Tax/
Use Tax**

House Bill 2123 (Chapter 114)

Transaction privilege tax reform committee

Establishes a 13-member Transaction Privilege Tax Reform Committee to study and make recommendations regarding the collection of revenues to the state General Fund, including individual and corporate income tax and transaction privilege tax. The Committee also must make recommendations to minimize the fiscal impact to cities, towns and counties.

House Bill 2358 (Chapter 206)

Theme park districts (~~public private partnerships;~~
~~toll facilities~~)

Modifies the composition of Theme Park and Vehicle Support Facilities Districts, the types of revenue bonds that may be issued and the allowable locations of theme park sites. References to vehicle support facilities are removed and a Theme Park District is enabled to include theme park sites in one or both cities, in the county establishing the district or in a combination of the cities and county.

The amount of required private financial commitments is decreased from 50 to 20 percent of the principal amount of bond issue and allows New Market Tax Credits to be included.

The Auditor General is required to conduct a performance audit of the District and its operations.

House Bill 2466 (Chapter 332)

Local sales tax; payments; DOR

Requires the Department of Administration to establish an online portal with a single point of filing and payment of municipal TPT and excise taxes for cities and towns that are not contracted with DOR for tax administration. Procurement of the online portal must be done via a public-private partnership as outlined by statute and authorizes a user fee for taxpayers who use the online portal.

Senate Bill 1214 (Chapter 323)

Use tax declaration; repeal

Repeals the use tax declaration requirement on the Arizona individual income tax return.

Senate Bill 1229 (Chapter 232)

Tax exemption; residential solar electricity

Exempts sales or transfers of renewable energy credits from the retail and utilities classification (TPT) and use tax. This legislation also deducts the portion of gross proceeds of sales or gross income attributable to the transfer of solar photovoltaic electricity to an electric utility distribution system from the tax base of the utilities classification.

Senate Bill 1442 (Chapter 328)

Prime contracting; manufacturing facilities;
infrastructure

Allows a city, town, or county, from October 1, 2013 through September 30, 2023, to enter into an agreement with DOR to receive all state prime contracting TPT collections arising from a qualifying project to pay for up to 80 percent of public infrastructure improvements for the project.

A qualifying project requires self-certification from an establishment with an in-state manufacturing operation (excluding mines and utilities) with at least \$500 million in capital investment in urban areas and \$50 million in rural areas to the Commerce Authority and applicable locality.

Contracting TPT arising from qualifying projects, which would otherwise go through the normal statutory distribution method, would be removed and set aside for public infrastructure funding. Once the \$50 million cap is reached, the funding mechanism would cease, and the TPT would return to the normal distribution.

Restrictions to the public infrastructure funding mechanism include:

- A \$50 million cap for all public infrastructure improvement funding made by the state to all localities.
- Requiring a locality to fund at least 20 percent of the public infrastructure improvements.
- Ending a funding agreement between the locality and DOR once either the 80 percent of the improvement costs have been paid or the \$50 million cap is reached. In the latter case, a locality has no rights to additional reimbursement in the event subsequent audit adjustments or refund claims lower the funded amounts to below the \$50 million cap.
- Making payments on a rolling basis, and using amounts subject to distribution to calculate monies available until the \$50 million cap is reached. In other words, a locality that enters into an agreement with DOR before a second locality may not receive all of the payments it anticipates, if the second locality's qualifying project remits and is paid contracting TPT in larger amounts, such that the \$50 million cap is reached.
- Limiting the total amount paid to a locality with a qualifying project in FY 2014-2015 (the first year that payments under the public infrastructure funding mechanism can occur) to \$5 million.

If a contractor on a qualifying project subsequently makes a refund claim or an audit adjustment results in lower TPT liability than originally reported, the offset is taken from the applicable locality's monthly distribution for the month following payment of the claim or adjustment.

Authorizes DOR to disclose information relating to distributions with any official of a locality in an ongoing agreement with DOR or considering entering one. Places restrictions on the locality's use of the disclosed information.

Property Tax

House Bill 2092 (Chapter 197)

Property tax appeals; valuation; classification

Increases the maximum limitation for small claims procedures on property classification and valuation to \$2 million in real or personal property.

The State Board of Equalization (SBOE) may no longer increase or decrease valuation of property or change

property classification during a hearing on a taxpayer's appeal; instead, it must grant or deny all or part of the taxpayer's petition for change in valuation or classification.

The SBOE may increase the value of individual units in a multi-parcel appeal up to the aggregate value of all units involved in the appeal. However, it may not exceed the value noticed by the county assessor nor change the property classification in its decision on a taxpayer appeal.

The new owner of a property is permitted to continue an appeal process started by a previous owner or file a new appeal, if the previous owner's appeal did not receive final judgment or a dismissal from Tax Court and the new owner files their own appeal before December 15th of the valuation year.

House Bill 2178 (Chapter 200)

Property taxes; refund; forgiveness (~~tech correction;~~ prepaid legal insurance)

Authorizes the Mohave County Treasurer to refund taxes paid, and forgive any property taxes and accrued penalties due, for qualified property owners.

House Bill 2184 (Chapter 158)

Fire district; alternative tax rate (~~tech correction;~~ occupational safety; exemption)

A fire district in which the net assessed valuation declined by a total of 25% or more beginning with the 2008 valuation year, may temporarily increase the tax per \$100 of assessed valuation from \$3.25 to \$3.75 if:

- The amount of levy proposed to be raised by a tax rate in excess of \$3.25 per \$100 of assessed valuation is no more than the amount of tax levy raised in the immediate preceding fiscal year.
- The fire district certifies that no portion of the increased tax levy will be used to pay salary increases or to increase the number of full time employees.
- The fire district certifies that no portion of the increased tax levy will be allocated to future year expenditures, retained or encumbered as reserve monies of any type, and that no more than 5% of the tax levy raised is planned for carry forward monies at the end of the fiscal year.

A fire district with an increased tax levy may not call for an override election.

House Bill 2226 (Chapter 220)

Property tax; algaculture

Defines lands and improvements of at least 5 acres dedicated to algaculture operations as agricultural real property for property tax purposes.

House Bill 2438 (Chapter 176)

Gov land; private land; study

Creates the Joint Legislative Study Committee on Government and Private Lands to examine the consequences of transferring real property from private parties to government entities.

DOR is required to contract with each county assessor to conduct a property status study to identify the amount of total private property within each county, tax exempt private property within each county, private property in conservation status within each county, federal lands in wilderness areas, natural conservation areas, national parks, national monuments and other special conservation status areas, if available and municipal and county lands in parks, conservation areas or other special conservation status areas.

House Bill 2478 (Chapter 349)

Property tax; facilities (schools; budget increases; bonds; ballots)

Limits the athletic, recreational, entertainment, artistic or cultural facilities that can be designated as class 9 properties to those that are used exclusively for those purposes and must become the property of the federal, state, county or municipal property on termination of the lease.

House Bill 2486 (Chapter 350)

Homeowners' rebate affidavit

Eliminates the requirement for an owner affidavit to qualify for classification as class three property.

The civil penalty for failure to respond to the assessor, is decreased to the amount of additional state aid paid in the preceding tax year, rather than twice the amount of additional state aid paid.

Beginning in 2013, a county assessor is required to send notices to those class three property owners who have a mailing address outside the county in which the property is located, have a mailing address different than the situs address of the property, have the same mailing address listed for more than one class three property in Arizona, or appear to be a business entity.

House Bill 2608 (Chapter 124)

Assessed valuations; audit

Allows DOR to audit county assessor property valuations to ensure proper valuation of new construction and directs the governing body of each county, city, town, community college district and school district to fix and determine property tax rates based on property valuations determined on or before February 10 of the tax year.

House Bill 2801 (Chapter 130)

Property tax bills; payment; interest

Precludes interest charges on delinquent property taxes of less than \$100 if the tax is paid in full by December 31 of the tax year.

House Bill 2803 (Chapter 216)

Personal property tax appeal deadline

Extends the deadline for filing an administrative appeal of the valuation of personal property from 20 days to 30 days after the delivery of a notice of valuation.

Senate Bill 1279 (Chapter 324)

Personal property tax; computer software

Clarifies that personal computers and general purpose computers used in a trade or business are valued as personal property. Operating system software necessary to enable the operation is valued as a part of the computer on which it is installed. All other software, whether canned or customized for a specific application, is valued as personal property.

Senate Bill 1416 (Chapter 182)

Property tax; agriculture classification; affidavit

Modifies the criteria for property that is eligible for designation as agriculture by reducing the number of years land is required to be used for agricultural

purposes, to at least 3 of the last 5 years, rather than 7 of the last 10 years. Also stipulates that the requirement of reasonable expectation of operating profit can be satisfied if the owner files an affidavit of agricultural use with the county assessor and the property is actively producing with an expectation of profit.

Unclaimed Property

House Bill 2023 (Chapter 217)

Unclaimed property; certificates of deposit

Stipulates that certificates of deposit and any interest are presumed abandoned three years after maturity if unclaimed by the apparent owner. A deposit that is automatically renewable is deemed matured on its initial date of maturity, unless the owner has consented to a renewal at the time of the account opening. The consent must either be in writing or is evidenced by the original account agreement or by any memorandum or other record on file with the holder.

Multiple Tax Types/Miscellaneous

House Bill 2094 (Chapter 198)

Prepaid wireless e911 excise tax

Establishes a prepaid wireless telecommunications E911 excise tax in an amount of eight tenths of 1% of the gross proceeds of sales or gross income derived from the retail sale of prepaid wireless telecommunications services, which begins January 1, 2014. The incidence of the tax is changed from the telecommunications provider to the retail seller of the prepaid wireless telecommunications service. Retailers are authorized to keep 3% of the cost of the tax that they collect from their customers.

House Bill 2332 (Chapter 331)

Healthy forest enterprise incentives; extension

Extends the transaction privilege, use and income tax incentives for qualified healthy forest enterprises in the state through December 31, 2024 and modifies the requirements for eligibility as a healthy forest enterprise (HFE).

Beginning tax year 2013, new individual and corporate income tax credits are authorized for the costs of training new workers in ecological restoration. The tax credit is equal to the net cost of the training, with a cap of \$3,000 per full-time employee for the first three years of

employment; and no more than 200 employees can be claimed in any taxable year.

Sales of motor vehicle fuel and use fuel sold to qualified HFE businesses is exempted from TPT and use taxes. The fuel must be used in off-road harvesting, processing or transporting qualifying forest products in order to qualify for the exemption.

Sales of repair parts that are installed in equipment used directly by a qualified HFE business for harvesting, processing or transporting qualifying forest products is exempted from TPT and use taxes.

The current TPT exemption for leased or rented equipment by an HFE is expanded to include all leases regardless of their duration.

Reauthorizes the use fuel tax discount on fuel used by vehicles transporting forest products, which reduces the tax from 13 to 9 cents per gallon. The discounted use fuel tax rate is applicable on September 1, 2012.

Reauthorizes the prime contracting exemption for construction contracts with an HFE, which expired December 31, 2009.

- The classification for property owned by a HFE as class 6 property is reestablished for property constructed or installed prior to January 1, 2025.

House Bill 2526 (Chapter 213)

Skilled nursing home provider assessments

Pending federal approval, levies an assessment on health care items and services provided by nursing facilities to obtain federal financial participation in the prescribed services to supplement Medicaid payments to facilities. AHCCCS is required to calculate the assessment based on the net patient service revenue of all facilities. The assessment is due quarterly to the Department of Revenue.

House Bill 2606 (Chapter 336)

Liquor; omnibus (state liquor board members; comp)

Makes numerous changes to the Arizona Department of Liquor Licenses and Control and modifies liquor licenses registration and compliance requirements.

Increases, from 90 to 120 days, the time period a licensed business may be delinquent in the payment of state taxes before a license suspension or revocation. The delinquent tax liability must exceed \$250 to trigger a license suspension or revocation.

Senate Bill 1045 (Chapter 2012)

Tax correction act; 2012

SB 1045 makes technical, clarifying and conforming changes to Arizona's tax statutes as recommended by the Department of Revenue and Legislative Council.

Provisions:

Deletes obsolete language and internal references relating to rental occupancy, estate and county transportation excise tax.

Clarifies that a taxpayer who fails to make payments by electronic funds transfer for which they are obligated, is required to pay a penalty of five percent of the amount not paid by electronic funds transfer rather than five percent of the entire amount of tax due on the return.

Clarifies that confidential information relating to any tax collected by the on behalf of a county may be shared with that county, city or town.

Repeals A.R.S. Title 42, chapter 3, article 5.1, relating to the tax associated with Delivery Sales of Tobacco Products.

Deletes obsolete language and makes conforming and internal reference changes to adjust for expiring legislation associated with gross proceeds of sales or gross income received from a contract for the construction and development of lake facilities.

Restores language that was inadvertently removed from statute relating to how DOR must account for revenues collected under the transient lodging, amusement and restaurant classification.

Repeals obsolete language relating to county transportation excise taxes for roads (the tax levied under this statute expired in 2010). Also, specifies that outstanding tax liabilities, and any penalties and interest accrued on unpaid amounts of those liabilities pertaining to county transportation excise taxes for roads are neither affected nor impaired by the repeal of A.R.S. § 42 – 6104.

Conforms current law, which expands the range of a Government Property Lease Excise Tax rate from within 90% and 110% to 90% and above the countywide average combined property tax rates to be levied and collected by a local government to use for government property improvement. This language was inadvertently left out of legislation enacted in 2010.

Repeals obsolete language relating to the application of Internal Revenue Code for income tax with associated legislation expiring after TY 1993.

Clarifies the language used to require that DOR determine the amount of withholding tax deducted and retained by employers from employee compensation for services performed within the state, but does not change the method of calculation. Make other conforming changes relating to withholding taxes.

Specifies the appropriate terminology in the School Tuition Organization statutes by replacing "accounting" with "auditing."

Repeals obsolete session law relating to the temporary 1% TPT increase.

Modifies the premium and corporate income tax credits for new employment.

Conforms the depreciation schedule for manufacturers, assemblers and fabricators personal property with the accelerated schedule for business personal property other similarly situated personal property.

Repeals obsolete language related to the repeal of the Enterprise Zone Program.

Modifies the individual and corporate income tax credits for increased research activities.

Repeals obsolete statutes relating to constructing energy efficient residences.

Delays the repeal of the individual and corporate income tax credit for qualified health insurance plans. (Currently the credit is repealed before carryforwards are exhausted).

Repeals obsolete income tax subtraction relating to displaced pupil grants.

Repeals obsolete session law relating to the economic impact analysis section of Laws 2005, Chapter 289, HB 2139, specifically as it relates to the provision that requires DOR to "cooperate" with JLBC by providing the identity of the corporations that elected the enhanced sales factor.

Repeals obsolete statutes regarding qualified defense contractors.

Senate Bill 1280 (Chapter 311)

Tobacco; internet; mail sales; e-cigarettes

SB 1280 provides purchasing restrictions on tobacco products by prohibiting the order or purchase of tobacco products only through a licensed person or a retailer who orders or purchases from a licensed person.

A person who violates the purchase restriction is subject to a maximum civil penalty of \$5,000 for each violation,

court and investigation costs (including attorney fees), and all state tobacco taxes and all transaction privilege or use taxes including any penalties and interest.

Each order or purchase of a tobacco product seized in violation forfeits to the state and must be destroyed.

DOR may not issue or renew licenses to sell tobacco products if an applicant is in violation of the purchase restriction or escrow account deposit requirements. Also precludes DOR from refunding the tax for stamps that are affixed to contraband articles or substances.
