

HB 2111 - TPT Simplification

Effective January 1, 2015

Administration & Collection

- DOR will become the single point of administration and collection of TPT
- Taxpayers will be able to file and pay on one form for all jurisdictions
 - Expanded online portal, paper or AZTaxes
 - When DOR has developed the capability to capture data for the current non-program taxing jurisdictions (scheduled to go live 1/1/15)

Single & Uniform Audit System

- Standardized audit system administered by DOR
- All audits conducted pursuant to the DOR uniform audit manual
- All state & city auditors must be trained and certified by DOR
- All audits will cover state, county and city taxes

Single & Uniform Audit System

- DOR is required to conduct audits of multi-jurisdictional taxpayers
- Single-jurisdiction taxpayers may be audited by a state trained and certified city auditor
- State trained and certified city auditors may also conduct audits on taxpayers authorized by DOR
 - IGA to ensure a single audit and include denial criteria for city multi-jurisdictional audit requests

Single & Uniform Audit System

- All taxpayer protests will go through the Office of Administrative Hearings
 - Currently, protests to non-program cities are handled by a Municipal Tax Hearing Office

Contracting

- Non-construction, or service, contractors are exempted from prime contracting on both state and city levels
 - Work directly for property owner
 - Maintenance, repair and replacement of existing property
 - Sale of materials to service contractors subject to tax at retail
- All other contracting activity remains taxable under current statutory scheme, including the Model City Tax Code
- Service contractors working as subcontractors obtain project specific exemption certificates to purchase materials to be incorporated into the taxable project exempt from tax at retail

Contracting

- Service contractors can perform work under either scenario
 - Eliminates the separate line of business requirement
 - Each contract stands on its own

Sourcing

- Establishes the criteria at the State and local level to determine the location where a retail or personal property rental transaction is sourced.
 - Transactions where the order is received at a business location in Arizona are sourced to the seller's location.
 - Transactions where the order is received at a location outside of Arizona are sourced to where the product is delivered to the purchaser.

Sourcing

- Eliminates the deductions under the retail classification for the sale of tangible personal property delivered for use out-of-state and/or out-of-country.
 - Deduction codes 540 and 541
 - Does not apply to sales of motor vehicles

Outstanding Issues

- Administrative Issues
- Uniform Base
- Rate Disparity
- County Use Tax
- Marketplace Fairness Act Requirements

Administrative Differences

- Annual license renewal
 - Proration
- Return Due date
- Filing frequency
- Electronic signature
- Consolidated Returns

Uniform State/City Bases

- Advertising
- Food for home consumption
- Waste removal services

Tax rates

- Caps and thresholds
- County use tax

Marketplace Fairness Act Requirements

- States must provide remote sellers with:
 - Central administration
 - Single audit for all state and local taxing jurisdictions within a state
 - Single return to file
 - Return filing no more frequent than for in-state sellers
 - Uniform state and local tax base
 - Uniform sourcing rules
 - Certain liability relief for remote sellers and “certified software providers”

Implementation

- “Kick-off” meeting held by Michael Hunter in August
- Stakeholders:
 - Governor’s Office
 - Legislators
 - DOR
 - Cities
 - Taxpayers
 - Practitioners
 - Business Associations
 - Lobbyists

Implementation Committees

- Audit – Tom Johnson
Administration – Lynette Nowlan
Contracting – Christie Comanita
Portal – Cynthia Ramey
- Stakeholders interested in being on a committee signed up at the “kick-off” meeting
- Cities representatives have been forwarded to DOR

Implementation Efforts to Date

- Audit
 - DOR is focusing on the following:
 - Audit manual (ARS and MCTC)
 - Audit workpapers
 - Training
 - Audit select
 - Audit processing
 - Audit review

Implementation Efforts to Date

- Administration
DOR completed an “as-is” analysis on our process flows from licensing to returns to payments to distributions

Goals:

Document processes and system capabilities

Compare to city requirements

Identify gaps

Implementation Efforts to Date

- Cities have provided DOR with a requirements document
- DOR analyzed and responded
- DOR/Phoenix meetings
 - Process
 - AZTaxes
 - Paper returns
 - Test calculations and distributions
 - Overview of data available for cities

Implementation Efforts to Date

- Portal
AZTaxes
Test
- Contracting
Researching



ADOR HB2111 TPT Simplification Program High Level Work Plan and Timeline

Program Organization

Administration Lynette Nowlan	Audit Tom Johnson	Contracting Christie Comanita	Portal Cynthia Ramey
Includes: Communications Education (Internal and External) Licensing Returns Processing Payment Processing Revenue Accounting Enforcement Required System Changes Reporting Transition - Conversion of Taxpayer Data Receivables Amended Returns	Includes: Communications Education (Internal and External) Training Procedures ATC Protests Audit Selection Audit Assignment Auditor Certification	Includes: Legal IGAs Communications Education (Internal and External) Forms	Includes: Required System Changes Communications Education (Internal and External) Integration Testing As Is and To Be AZTaxes Reporting

Timeline

	June '13	July '13	Aug '13	Sep '13	Oct '13	Nov '13	Dec '13	Jan '14	Feb '14	Mar '14	Apr '14	May '14	June '14	July '14	Aug '14	Sep '14	Oct '14	Nov '14	Dec '14
Program Level	Communications and Education																		
Administration	Discovery			Requirements			Design			Solution Development			Solution Testing						
Audit	Discovery			Procedure and Training Development															Training Delivery
Contracting	Discovery			Legal Clarifications Developed						Legal Clarifications Completed									