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# ARIZONA DEPARTMENT OF REVENUE

## 2013 ANNUAL REPORT

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# STATE OF ARIZONA

Department of Revenue



Janice K. Brewer  
Governor

David Raber  
Acting Director

November 15, 2013

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

Dear Governor Brewer and the Taxpayers of Arizona:

During Fiscal Year (FY) 2013, the Department of Revenue (DOR) continued to carefully assess 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 realized many accomplishments by remaining focused on our strategic plan.

Total taxes collected by DOR during FY 2013 exceeded \$13.0 billion, including nearly \$7.1 billion that was deposited directly into the General Fund. Included in this total is more than \$503 million that was collected through the Department's tax enforcement efforts, which exceeded the \$488 million target set at the beginning of the year.

In addition to these milestones in tax administration, DOR employees achieved several noteworthy accomplishments in FY 2013 including: processing over 5.6 million tax documents; processing over 41,500 new business licenses, and receiving, processing and depositing 4.1 million tax payments. Even more accomplishments are outlined by division in the "Division Highlights" section of this report.

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

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

We continue our commitment to excellence and quality. None of our achievements would have been possible without our incredibly talented and dedicated employees. Please contact me if I can provide you with any additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "DRaber", written over a white background.

David Raber  
Acting Director





# **DEPARTMENT ORGANIZATION**

Organization & Organization Chart

Strategic Plan Highlights

Administrative Services

Audit

Collections

Information Technology

Process Administration

Property Tax

Taxpayer and External Services

Tax Policy & Research

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# 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.

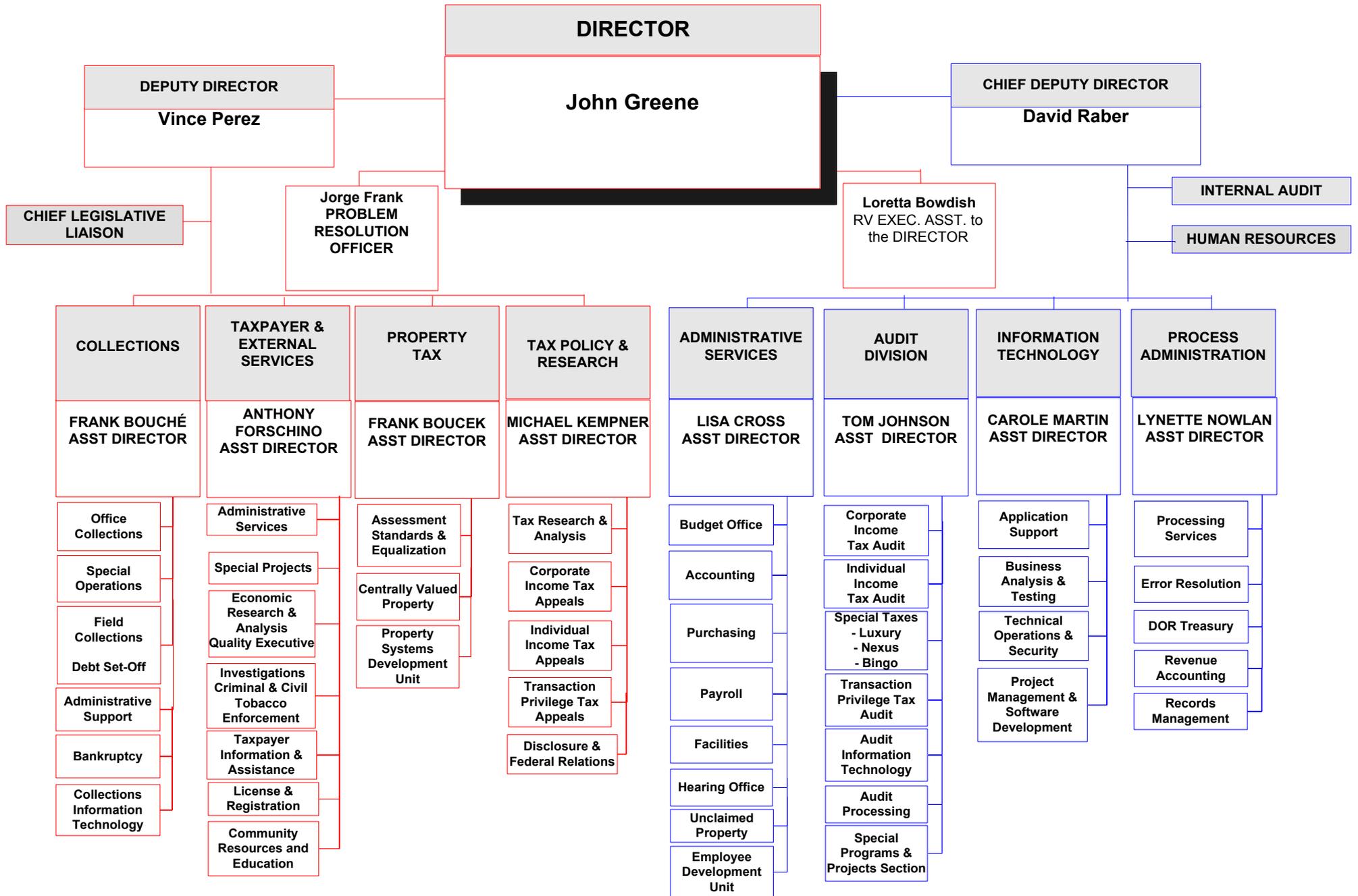
The director is responsible for the direction, operation, and control of the department to ensure that the administration and collection of taxes are cost effective and performed with high quality to meet taxpayers' needs.

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 2013 are presented as well as comparisons to prior years.

## TOTAL GROSS REVENUES COLLECTED

### FY12

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

### FY13

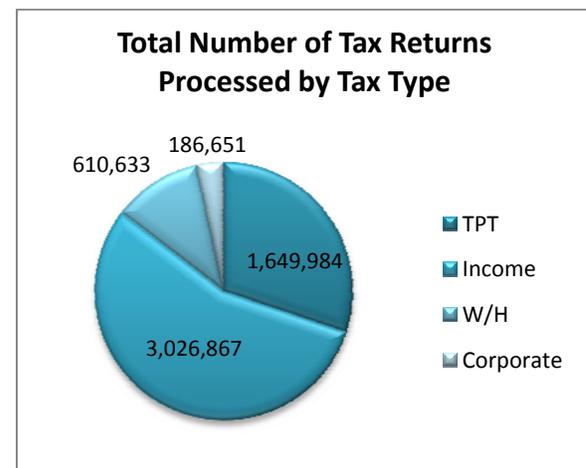
Transaction Privilege .....	\$7,660,240,313
Income & Withholding .....	\$4,630,465,343
Corporate .....	\$ 755,002,081
Other .....	\$ 554,243,318
Total .....	\$ 13,599,951,055

Detailed gross revenues are reported under Table 1.

## TOTAL NUMBER OF TAX RETURNS PROCESSED BY TAX TYPE

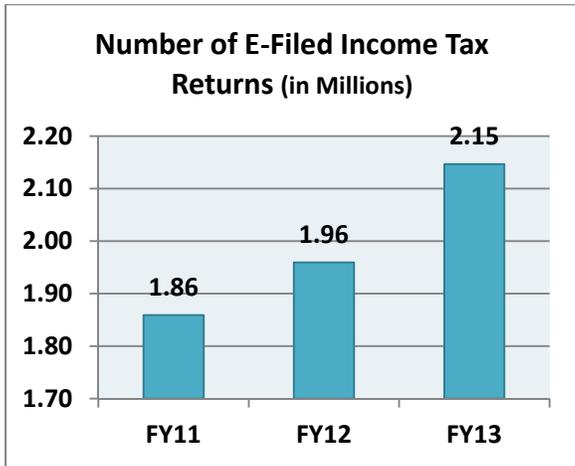
All tax returns are processed through the Taxpayer Accounting System (TAS).

Transaction Privilege .....	1,649,984
Individual Income .....	3,026,867
Withholding .....	610,633
Corporate Income.....	186,651
Total Returns Processed.....	5,474,135



**TOTAL NUMBER OF E-FILED INDIVIDUAL INCOME TAX RETURNS RECEIVED**

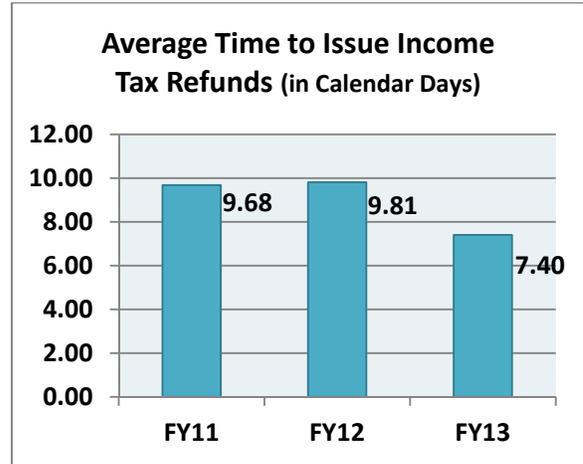
FY11 .....	1,859,215
FY12 .....	1,959,352
FY13 .....	2,146,479



**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.

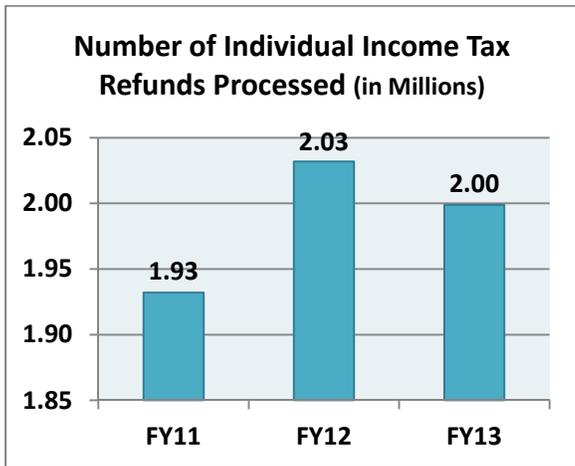
FY11 .....	9.68 days
FY12 .....	9.81 days
FY13 .....	7.40 days



**TOTAL NUMBER OF INDIVIDUAL INCOME TAX REFUNDS**

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

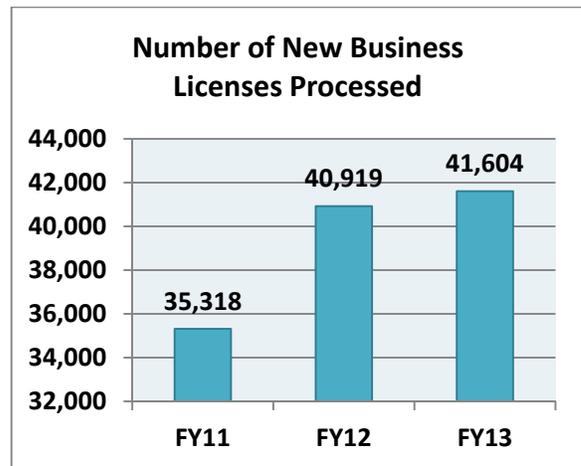
FY11 .....	1,932,100
FY12 .....	2,031,879
FY13 .....	1,998,845



**NUMBER OF NEW BUSINESS LICENSES PROCESSED**

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

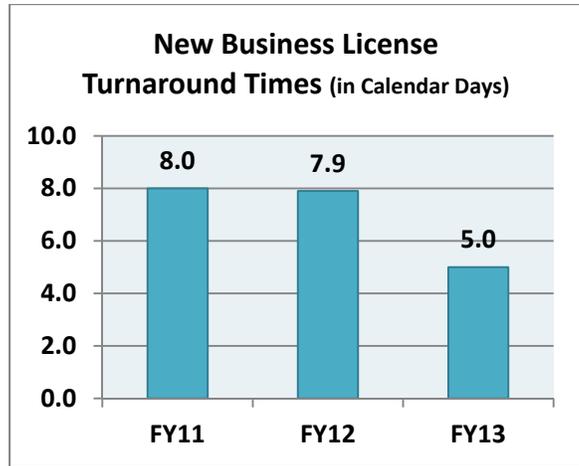
FY11 .....	35,318
FY12 .....	40,919
FY13 .....	41,604



**AVERAGE 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.

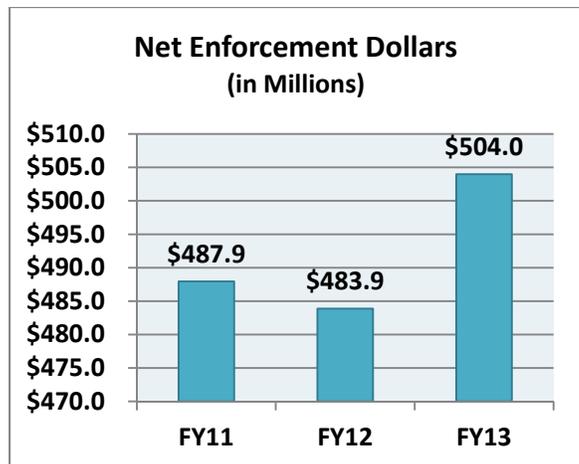
FY11 .....	8.0 days
FY12 .....	7.9 days
FY13 .....	5.0 days



**TOTAL NET ENFORCEMENT DOLLARS**

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

FY11 .....	\$ 487,948,450
FY12 .....	\$ 483,890,612
FY13 .....	\$ 503,986,414



**NET ENFORCEMENT REVENUE WITH GENERAL FUND TOTALS**

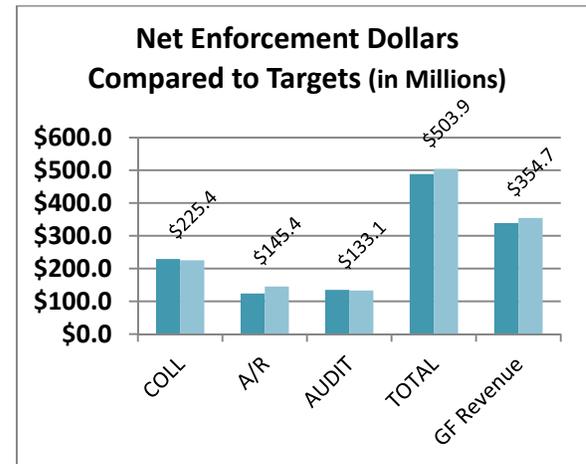
The enforcement program generated results at 103.2% of goal, surpassing fiscal year 2013 targets. This chart also shows how much of the enforcement revenues went to the General Fund.

**FY13 Net Targets**

Collections .....	\$229.2M
Accounts Receivable .....	\$124.1M
All Audit .....	\$135.1M
Total Revenue .....	\$488.4M
General Fund Revenue .....	\$339.2M

**FY13 Net Actual**

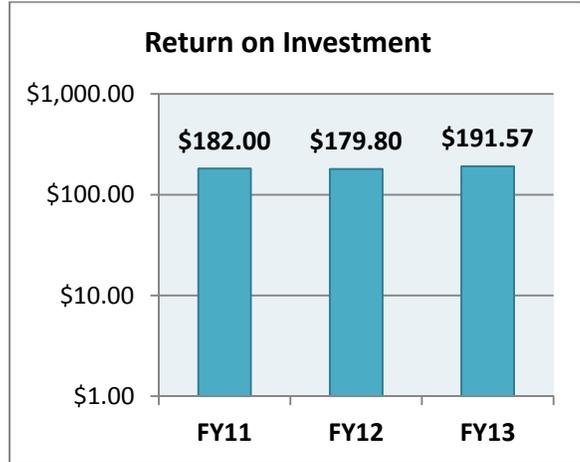
Collections .....	\$225.4M
Accounts Receivable .....	\$145.4M
All Audit .....	\$133.1M
Total Revenue .....	\$503.9M
General Fund Revenue .....	\$354.7M



**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 2013, \$191.40 was produced for each dollar spent in the total DOR budget.

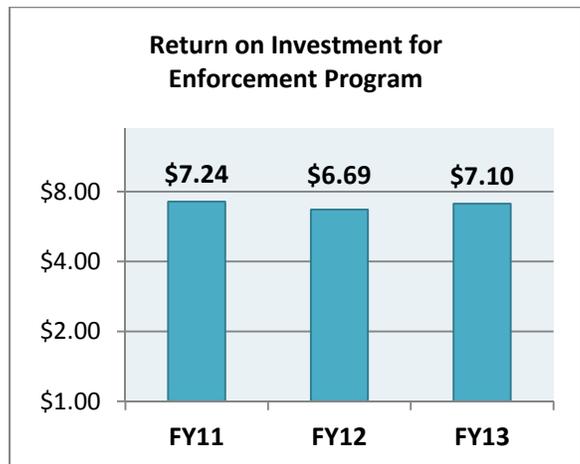
FY11 .....	\$182.00
FY12 .....	\$179.80
FY13 .....	\$191.57



**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 2013, \$7.10 of enforcement revenue was collected for each dollar spent in the total DOR budget.

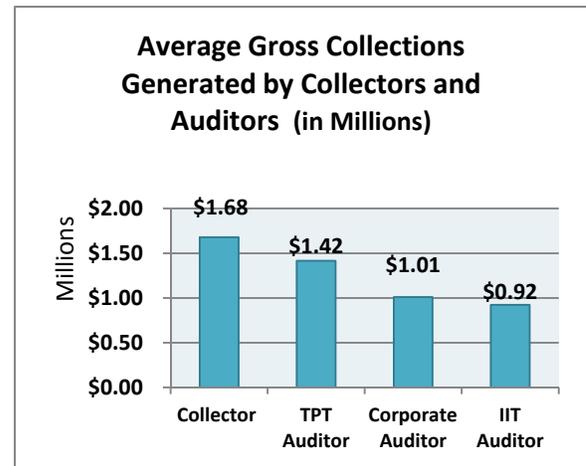
FY11 .....	\$7.24
FY12 .....	\$6.69
FY13 .....	\$7.10



**AVERAGE GROSS COLLECTIONS GENERATED BY COLLECTORS AND AUDITORS**

Collector .....	\$1,678,378
TPT Auditor .....	\$1,415,429
Corporate Auditor .....	\$1,009,808
Individual Income Auditor .....	\$ 923,633

Collections averaged \$1.7 million dollars collected per collector in fiscal year 2013. Auditors collected at different levels depending upon the type of audit work they performed; ranging from a little over \$1.4 million per TPT auditor to \$923 thousand per individual income auditor.



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

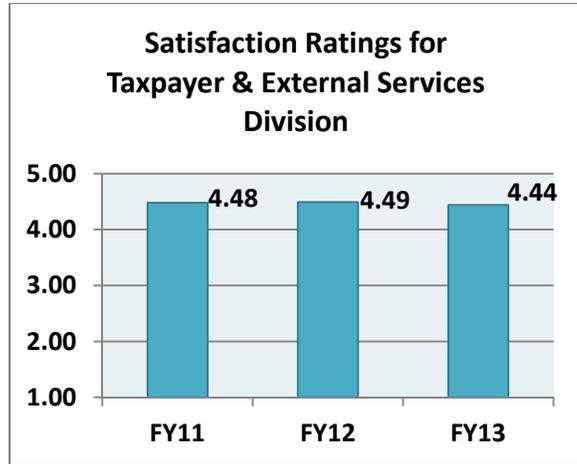
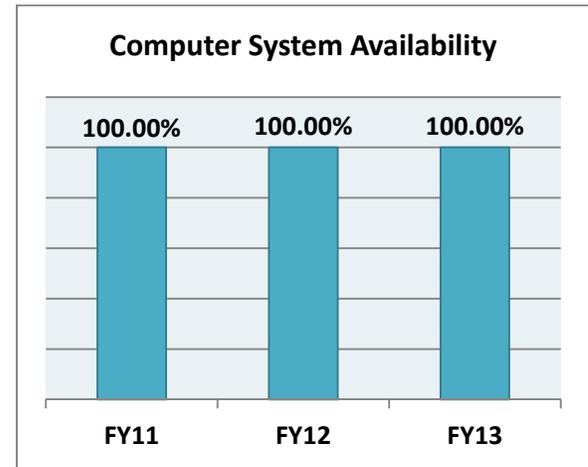
These scores were received from taxpayers rating the services of the employees in the Taxpayer & External Services division's *Taxpayer Information & Assistance* call center. (All satisfaction ratings tracked at the department have a 1 to 5 scale, 5 being the highest rating.)

FY11 .....	4.48
FY12 .....	4.49
FY13 .....	4.44

**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.

FY11 .....	100.0 %
FY12 .....	100.0 %
FY13 .....	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.

## **Education Development**

The Employee Development Unit (EDU) was reestablished in January 2013 after a four year hiatus. EDU plans, devises, organizes, and executes training for all employees throughout the agency. The unit staff is responsible for developing classroom and computer based training modules, as well as employee development resources for a variety of topics ranging from confidentiality standards and DOR policies to MAP self-appraisals. Trainers also participate in trainer-of-trainer sessions conducted by DOA personnel and in turn train Agency employees as required. The unit is also responsible for conducting confidentiality training for other state agency personnel who will be conducting business in collaboration with the Department.

## **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.

## **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, ASRS and RASL Retirement processing.

## **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).

## **Unclaimed Property**

This program is administered to return abandoned property such as dormant bank accounts, insurance policy proceeds, security deposits, unclaimed stocks, bonds, and mutual fund accounts, safe deposit box contents and all types of un-cashed checks to the property's rightful owners. Through a variety of methods, the unclaimed property staff locates 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 Revised Arizona Unclaimed Property Act.

## HIGHLIGHTS IN FISCAL YEAR 2013

### Accounting

- ✓ The Accounting Unit processed 95% of all invoices within 30 days.

### Education Development

- ✓ Conducted an agency-wide employee development needs assessment.
- ✓ Revised and updated critical, mandatory training modules, including: Confidentiality, Security Access, Annual Recertification Training.
- ✓ Provided MAP training to all supervisor and management personnel.

### Facilities

- ✓ Coordinated the installation of three cooling units for the second floor server room. This work continued into fiscal year 2014.
- ✓ Coordinated the activity of installing new flooring on the first floor customer lobby as well as the employee entrance.
- ✓ Began the initial planning of the relocation of the Warehouse and Process Administration section to a new building. This work continues into fiscal year 2014.
- ✓ Completed the installation of a new IT storage area in the B2 level of the 1600 building.
- ✓ Installed new speed bumps in the parking garage.
- ✓ Completed 99.4% of all work orders within 24 hours and received an average customer survey rating of 4.95 out of a possible 5 for the year.

### Payroll

- ✓ DOR successfully moved to ETE (Employee Time Entry) during the 4<sup>th</sup> quarter of fiscal year 2013.

### Purchasing

- ✓ All procurement such as solicitations, contracts and purchase orders are issued through the statewide ProcureAZ. For fiscal year 2013, staff began the 3-way match for invoice processing through ProcureAZ.

### Hearing Office

- ✓ The Hearing Office workload had increased significantly starting in fiscal year 2010. For fiscal year 2013 the Hearing Office continues to handle nearly as many cases as it did in fiscal year 2000 and 2001 when the Hearing Office had twice the staff.

### Unclaimed Property

- ✓ For the second consecutive year, unclaimed property staff returned over \$40 million to current and former Arizona residents
- ✓ In excess of 56,000 properties were returned to over 19,000 owners.
- ✓ The average time to process and pay a claim was 43 days, reflecting a 33% increase in efficiency over the previous fiscal year.
- ✓ Over \$131 million in new property was added to the database, and over 23,000 claims for property were received.
- ✓ Nearly 10,000 reports were processed by the Unit's compliance staff.

# 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**

Providing quality service is a primary goal of the Individual Income Tax Audit Section. The audit process is viewed as an educational and cooperative process that helps to improve voluntary compliance by ensuring taxpayers report and pay the correct amount of tax due. While most taxpayers are confused and overwhelmed by the audit process, the Section has placed an emphasis on treating taxpayers in a courteous and professional manner with as little disruption to the taxpayers as possible.

Using all available data sources in the Audit process allows for a more complete file to be created on audit cases. This allows the auditor to work in a more efficient and expedient manner. Receiving electronic data from the Internal Revenue Service

allows the department to match with all other department data and information on the taxpayers and tax years involved without requiring manual research by our administrative support staff. A majority of the audit files now contain all relevant information that an auditor would need in order to process the audit case and make all necessary adjustments. 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 three separate units: Bingo, Luxury Tax and Nexus.

The Bingo Unit is responsible for administering the Bingo laws pursuant to Title 5 of the Arizona Revised Statutes. The Unit issues licenses, processes monthly financial reports (returns) and provides customer service to Bingo licensees and patrons.

The Luxury Tax Unit administers the excise tax imposed on tobacco distributors and liquor wholesalers. The Unit is responsible for customer service, licensing and conducting field audits.

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 (TAS) 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 2013**

### **Corporate Income Tax Audit Section**

- ✓ Audited 109 taxpayers representing 350 tax periods; assessed \$30 million and collected \$19 million.
- ✓ Implemented a database tracking and audit selection system.
- ✓ Revised the computer audit work paper package and taxpayer reports.
- ✓ Enhanced training practices and content for new auditors.

### **Individual Income Tax Audit**

- ✓ Completed over 66,000 audits for total assessments of \$30.6 million and collected \$22.1 million in additional revenue.
- ✓ The computer generated assessment (CGA) program continues to be successful. The results were the issuance of 22,869 audits for total assessments of \$5.5 million.
- ✓ Customer surveys with an average score of 4.30, using a scale of 1 to 5 with 5 being excellent.

### **Transaction Privilege and Use Tax Audit**

- ✓ Field Audit Unit audited 329 taxpayers, produced 2,279 units, assessed over \$45 million and collected in excess of \$19 million in tax revenue.

- ✓ License Compliance Unit licensed 1,416 new taxpayers and collected over \$55 million.
- ✓ Desk Audit produced over 3,329 new billings that generated over \$3.5 million in tax revenue.
- ✓ Customer surveys averaged a score of 4.54, using a scale of 1 to 5 with 5 being excellent.
- ✓ The Withholding Unit prevented almost \$1.5 million of invalid refunds from being issued.

### **Special Taxes**

- ✓ The Luxury Tax Unit collected \$2.4 million and Nexus collected \$37.7 million.

- ✓ After receiving invoice data for 17,000 taxpayers, the Luxury Tax Unit mailed bills or assessments to collect tax that consumers failed to pay on internet cigarette purchases. The Unit mailed 300 pilot letters and collected approximately \$680,000. The Division anticipates a significant amount of revenue generated from this project as the remaining letters are mailed throughout the next fiscal year.
- ✓ The Nexus Unit hosted the first Multistate Tax Commission (MTC) Nexus School in Arizona.



# 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 2013**

- The division was responsible for the generation of total revenues of \$225 million. This was flat compared to the \$226 million generated in fiscal year 2012.



# 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**

Application Services is responsible for providing both software development and application support services to all Divisions.

The Application 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 Application Support teams work with the various divisions to resolve defects, and support technology-enabled business processes. Application support provides operational, support and maintenance services for all department tax processing systems, including:

- All tax processing systems, including: Taxpayer Administration System (TAS), AZ Taxes ([www.aztaxes.gov](http://www.aztaxes.gov)), electronic filing (MeFile), Data Entry systems, Cashier, and Remittance.
- 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 Server and Network Engineering, Database Administration, and Information Security.

Network Engineering and Server Support is responsible for operations and oversight of all of the agency's data centers including all servers, storage systems, 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 Information security policies standards and procedures
- Provide Employee Awareness of Information Security

### **Business Solutions Group**

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

The Project Management Office is responsible for establishing, maintaining, and enforcing project management processes, procedures, and standards for IT projects. It also leads the governance of projects through a steering committee consisting of top tier business leaders.

### **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 2013**

- Upgraded existing E-File application with a new Modernized E-File (MeFile) system.
- Supported a new processing record of more than 2,087,000 electronic returns using the new MeFile system.
- 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.
- Upgraded core tax systems databases.
- Implemented more than 35 business-driven changes to the tax systems.
- Effectively addressed critical legislative mandate from the legislative session including:
  - Nursing home care facilities set up with TPT licenses as quarterly filers (HB2526)

# 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 is responsible for processing taxpayer payments and entering taxpayer data using several different computer systems.

## **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 2013**

- The volume continues to grow and the Process Administration Division continues to respond. In comparing fiscal year 2012 to fiscal year 2013, the number of returns increased by 2% and the payments by 1.7%. The division managed to process the additional volume without increased resources and very minimal impact to the time it takes to process a return or deposit the money to the bank.
- The Process Administration Division began working with the Governors Transformation Office on a project to review the current procedures for handling the returns and payments. The goal is to make the process more efficient while still maintaining a quality of work. A team was formed with employees from various units across the division. During this fiscal year the team began to examine the processing of the 2D Bar Code Income Tax Returns and have identified several improvements that will be implemented during fiscal year 2014.
- Received and processed 5.5 million tax documents for the main four tax types.
- Received, processed, and deposited 4.2 million payments with an average deposit time of 0.74 days.
- Issued 1.99 million refunds 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 disbursed properties. Functional areas of the Property Tax Division and primary responsibilities of each are discussed below.

## **Centrally Valued Properties**

The Centrally Valued Properties Team annually determines the full cash value of all utilities, railroads, mines and other complex or geographically dispersed properties (see page 77 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 2013

- A new cloud-based education tracking software was incorporated into the Training and Certification Team's tools that will allow for more efficient management of tracking appraisers' education. Instruction on the use of the Marshal & Swift Cost Manual is now being offered by the training team as a continuing education class for appraisers. The Training and Certification Team provided training to 48 students participating in Provisional courses, 38 students attending Level 1 certification courses and 22 students attending Level 2 certification courses in the DOR Appraiser Training and Certification Program this year. A total of 28 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 19 students completed the Level 1 series of courses and 17 students completed the Level 2 series of courses in the Rio Salado program this fiscal year.
- The Centrally Valued Property Team valued approximately 840 taxpayers totaling \$36.7 billion in full cash value. There were 22 taxpayers (less than 3%) who appealed their values to the department in the first level of appeal; 6 taxpayers went on to file petitions with the State Board of Equalization. Of those 6 petitions, two were withdrawn; two were settled; and two were heard before the Board. The Board decided in favor of the department in one of the two cases and reduced the value of the second property.
- The Centrally Valued Property (CVP) Team completed three regional meetings with the County Assessors' offices during the fiscal year. The agenda for each meeting included issues relating to the valuation of properties appraised by the Centrally Value Property Team, an overview of how CVP relies on and uses Assessor generated values and data, a review and discussion of how the Centrally Valued Property Team and the Assessors' Offices work together in the valuation process and how information is exchanged.
- The Assessment Procedures Team conducted six appraiser continuing education Income Workshops throughout the state this fiscal year. The Workshops were attended by appraisers from the County Assessors' offices. The Team also published the Commercial Property Market Study which compiles sales, income and expense data, and capitalization rate data for ten income producing types of property in the thirteen non-metro counties statewide.
- The Team worked with the county treasurers regarding reports and reporting requirements for the Government Property Lease Excise Tax (GPLET) returns and payments received by the treasurers for the preceding calendar year. The Team also worked with government lessors regarding GPLET return filing requirements by their lessees.
- The Forms Team updated return forms, instructions and tax rate charts for use with the GPLET program. The Forms Team also reviewed and updated eighteen property tax forms during 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.*

## **Community Outreach Resources and Education (CORE)**

After a three year hiatus due to budget cuts, Department Leadership recognized the need for outreach/education and the Community Outreach Resources and Education unit was re-established. The unit began the task of revamping and rebuilding the department's outreach and education programs.

CORE's primary goal is to promote voluntary compliance with tax laws through taxpayer and practitioner education. CORE staff began reconnecting with previous partners that had worked in cooperation to build programs focused on support for the small business community, and service and assistance directed toward the needs of personal income tax filers. Renewed partnerships with the Internal Revenue Service, other federal, state, and local agencies, and Small Business Development Centers, as well as the Small Business Administration and other business associations will help to strengthen the outreach efforts and audience scope.

Additionally, CORE coordinates state tax training for the Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs. VITA and TCE sites provide vital free tax preparation services for low income, elderly and non-English speaking populations.

## **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)**

The mission in Taxpayer Information and Assistance is to provide exceptional service in an effective, efficient and fair manner for all our customers. Customers include taxpayers who report their own personal income tax, tax practitioners, certified public accountants, enrolled agents, attorneys, payroll service companies, business owners and corporations. TIA is also contacted by staff from local state representatives' offices and the governor's office for assistance in resolving matters brought to their attention by their constituents.

Means of contacting TIA are by telephone, written correspondence, email, and walk-in service. Calls are received through three published primary telephone lines as well as two tax practitioner telephone hotlines to obtain expedited service. Email is received through the department's two websites: [azdor.gov](http://azdor.gov) and [aztaxes.gov](http://aztaxes.gov). Walk-in service is available at two locations, Phoenix and Tucson.

TIA provides a wide range of assistance to the taxpayer community, answering general questions, researching and resolving refund and billing disputes, assisting with account reconciliation, answering tax code questions, providing statutory reference, offering guidance and instruction on tax form preparation, assisting with registration and licensing of a new business and changes to existing licenses. The administrative support team processes Power of Attorney (POA) forms and delivers professional and courteous guidance to the walk-in customers at the lobby reception desks in Phoenix and Tucson.

TIA takes a positive approach and makes every effort to educate our customers about their tax requirements and helps them understand what to expect when they register their business or file their tax return. Tax types include personal income tax, corporate tax, transaction privilege and use tax and withholding tax.

### **HIGHLIGHTS IN FISCAL YEAR 2013**

- In order to recognize the best return on allocated budget funds, CORE staff conducted research to develop a plan for sharing information and educational materials using electronic and social media platforms. Adopting "best practices" methods and looking to other government

agencies, programs and municipalities for information, the unit began laying the groundwork for both social media campaigns as well as an electronic library of tutorials and videos to be available on the department's website.

- CORE also re-established the agency "Speakers Bureau" to efficiently handle the public speaking requests received by the department. CORE spearheads participation in annual statewide Tax Talk seminars, designed to provide continuing education to tax practitioners.
- The Criminal Investigation Unit stopped nearly \$32 million in fraudulent refunds. This is an increase of over \$ 21 million over last fiscal year (nearly a 300% increase).
- The Tobacco Enforcement Unit conducted approximately 3,700 retail and wholesale tobacco inspections. During this time period the unit also conducted 180 separate seizures of illegal tobacco products. Over 65,000 sticks of cigarettes and 43,000 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:
  - ✓ Sent out 835 Certificates of Eligibility for the Health Insurance Premium Tax Credit to individuals and small businesses.
  - ✓ Approved 167 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 152 Disabled/Displaced Student Scholarship Awards. Approved 148

Disabled/Displaced Student Eligibility Applications.

- ✓ Approved 52 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 3,186 information requests.
- ✓ Administered the fiscal year 2013 Employee Satisfaction Survey.
- The License and Registration team processed 41,604 applications with an average turnaround time of 5.0 days. Nearly 46% of these licenses were completed online. The team also processed another 19,985 account update and maintenance requests.
- Additionally, the License and Registration Maintenance Unit (MU) answered 15,538 calls, responded to hundreds of problem resolution issues and emails, processed 4,266 taxpayers bonds totaling nearly \$18 million and collect another \$7,170 in delinquencies. Finally, the Customer Service (CS) team assisted more than 10,000 walk-in customers over the counter and cashiered over \$410 million in payments.
- Taxpayer Information and Assistance accomplishments include:
  - ✓ Answered 208,874 calls.
  - ✓ Replied to 5,909 emails.
  - ✓ Assisted 35,985 customers at the lobby windows.
  - ✓ Assisted 11,684 customers at the TIA walk-in offices.
  - ✓ Responded to 6,048 Tax Practitioner Hotline inquiries.
  - ✓ Responded to 13,230 written inquiries.
  - ✓ Processed 11,206 Power of Attorney forms.
  - ✓ Answered 2,395 switchboard calls.



# 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 2008-09 THROUGH FISCAL YEAR 2012-13**

SOURCE	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13
<b>TRANSACTION PRIVILEGE USE AND SEVERANCE TAX</b>					
Distribution Base	\$1,548,202,473	\$1,427,991,054	\$1,493,036,999	\$1,569,903,646	\$1,644,471,588
Nonshared Portion	2,965,242,162	2,653,983,212	2,719,128,171	2,852,297,332	2,994,447,622
Use Tax	292,698,574	271,763,845	229,250,912	263,724,399	257,899,313
Education Tax	558,899,709	504,391,092	514,345,951	542,394,529	567,824,410
Temporary Tax (5)	----	544,136	835,801,251	912,966,857	965,620,521
Undistributed Estimated					
Transaction Privilege Tax	(17,219,713)	26,197,663	36,915,698	20,235,301	(25,356,945)
Other State Revenue	26,453,838	24,955,212	25,467,086	23,913,439	32,116,438
County and City Collections	1,199,517,669	1,072,323,109	1,097,227,224	1,145,303,425	1,223,217,366
<b>Subtotal</b>	<b>\$6,573,794,714</b>	<b>\$5,982,149,321</b>	<b>\$6,951,173,293</b>	<b>\$7,330,738,929</b>	<b>\$7,660,240,313</b>
<b>INCOME TAX</b>					
Withholding	3,092,546,185	3,017,256,893	3,234,666,688	3,343,314,942	3,459,818,705
Individual	967,788,513	768,011,214	867,110,332	1,027,389,330	1,170,646,638
Corporate	749,362,551	650,925,393	659,266,690	758,413,453	755,002,081
<b>Subtotal</b>	<b>\$4,809,697,249</b>	<b>\$4,436,193,500</b>	<b>\$4,761,043,709</b>	<b>\$5,129,117,725</b>	<b>\$5,385,467,424</b>
<b>LUXURY TAX</b>					
Spirituos Liquor	28,341,033	29,304,713	28,202,704	31,847,105	32,184,954
Vinous Liquor	13,006,125	13,881,407	13,596,155	15,430,577	15,155,547
Malt Liquor	22,831,547	22,232,715	21,566,369	21,101,489	21,343,360
Tobacco - All Types (1)	380,593,991	340,839,935	340,754,224	337,777,289	331,347,184
Licensing	7,075	7,900	7,710	7,925	7,825
<b>Subtotal</b>	<b>\$444,779,771</b>	<b>\$406,266,670</b>	<b>\$404,127,163</b>	<b>\$406,164,385</b>	<b>\$400,038,871</b>
<b>ESTATE TAX</b>					
Estate (3)	234,065	363,755	437,372	200,825	0
Unclaimed Property	74,337,392	161,637,025	121,263,602	115,160,041	131,397,401
Escheated Estates	643,679	320,538	370,786	186,322	327,961
<b>Subtotal</b>	<b>\$75,215,136</b>	<b>\$162,321,318</b>	<b>\$122,071,760</b>	<b>\$115,547,188</b>	<b>\$131,725,361</b>
<b>OTHER REVENUES</b>					
Bingo	531,588	520,655	504,905	508,145	519,998
Flight Property Tax	11,975,326	9,451,430	9,673,124	10,585,261	7,375,052 (6)
Private Car Tax	1,435,069	1,335,091	1,283,026	1,065,773	3,698,193 (6)
Nuclear Plan Assessment	0 (4)	1,569,091	1,812,420	1,782,028	2,153,517
Waste Tire	7,890,076	7,925,216	8,155,363	8,518,868	8,732,325
<b>Subtotal</b>	<b>\$21,832,059</b>	<b>\$20,801,482</b>	<b>\$21,428,838</b>	<b>\$22,460,074</b>	<b>\$22,479,086</b>
<b>TOTAL (2)</b>	<b>\$11,925,318,928</b>	<b>\$11,007,732,292</b>	<b>\$12,259,844,763</b>	<b>\$13,004,028,301</b>	<b>\$13,599,951,055</b>

(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 increased the state transaction privilege and use tax rates on most transactions by one percentage point beginning June 1, 2010, and ending May 31, 2013.

(6) In FY13, \$2,473,651.23 of the money deposited into Private Car Tax should have been deposited into Flight Property Tax. A correcting transfer will be made in FY14.

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 2008-09 THROUGH FISCAL YEAR 2012-13**

<b>SOURCE</b>	<b>FY2008-09</b>	<b>FY2009-10</b>	<b>FY2010-11</b>	<b>FY2011-12</b>	<b>FY2012-13</b>
Transaction Privilege, Use, and Severance Tax	\$3,791,915,770	\$3,418,261,171	\$3,463,327,544	\$3,657,481,499	\$3,819,525,185
Undistributed Estimated Transaction Privilege Tax	(17,219,713)	26,197,663	8,215,241	17,366,617	(21,908,400)
Income Tax	2,432,366,069	2,200,844,986	2,949,887,110	3,284,084,523	3,514,487,484
Luxury Tax	57,878,187	55,352,260	53,599,408	56,357,085	56,184,596
Estate Tax (1)	210,372	363,755	437,372	200,825	0
Unclaimed Property	9,526,605	100,034,835	49,120,855	45,819,445	60,899,609
Bingo	531,588	520,655	504,905	508,145	519,998
Private Car Tax	1,435,069	1,335,091	1,283,026	1,065,773	3,698,193 (3)
Nuclear Plan Assessment	0 (2)	1,569,091	1,812,420	1,782,028	2,153,517
<b>Total</b>	<b>\$6,276,643,947</b>	<b>\$5,804,479,506</b>	<b>\$6,528,187,881</b>	<b>\$7,064,665,940</b>	<b>\$7,435,560,183</b>

(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.

(3) This figure includes \$2,473,651.23 that should have been deposited to Flight Property Tax.

Figures may not add to total due to rounding.

**TABLE 3**  
**GROSS COLLECTIONS OF AUDIT ASSESSMENTS AND DELINQUENT TAX**  
**FISCAL YEAR 2011-12 AND FISCAL YEAR 2012-13**

<b>GROSS COLLECTIONS</b>	<b>FY2011-12</b>	<b>FY2012-13</b>	<b>% CHANGE</b>
Collections	\$225,892,565	\$225,461,821	-0.2%
Audit	\$141,434,521	\$158,788,915	12.3%
Accounts Receivable	\$135,449,776	\$145,463,075	7.4%
<b>TOTAL GROSS COLLECTIONS</b>	<b>\$502,776,862</b>	<b>\$529,713,811</b>	<b>5.4%</b>
<b>ADJUSTMENTS (1)</b>			
Duplication, Credit Audits and Other Adjustments As Reported	\$18,886,250	\$25,727,397	36.2%
<b>TOTAL ADJUSTED NET ENFORCEMENT COLLECTIONS (2)</b>	<b>\$483,890,612</b>	<b>\$503,986,414</b>	<b>4.2%</b>

(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 2013, 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 \$7.66 billion was remitted by Transaction Privilege, Severance and Use Tax license holders during fiscal year 2013 (*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**

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 2008-09 THROUGH FISCAL YEAR 2012-13**

SOURCE	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13
Distribution Base	\$1,548,202,473	\$1,427,991,054	\$1,493,036,999	\$1,569,903,646	\$1,644,471,588
Nonshared	2,965,242,162	2,653,983,212	2,719,128,171	2,852,297,332	2,994,447,622
Use Tax	292,698,574	271,763,845	229,250,912	263,724,399	257,899,313
<b>SUBTOTAL</b>	<b>\$4,806,143,210</b>	<b>\$4,353,738,110</b>	<b>\$4,441,416,082</b>	<b>\$4,685,925,377</b>	<b>\$4,896,818,522</b>
Education Tax	\$558,899,709	\$504,391,092	\$514,345,951	\$542,394,529	\$567,824,410
Temporary Tax (2)	-----	544,136 (1)	835,801,251	912,966,857	965,620,521
Temporary Tax Estimated Payment	-----	-----	28,700,457	2,868,684	(3,448,544)
Undistributed Estimated Payment	(17,219,713)	26,197,663	8,215,241	17,366,617	(21,908,400)
Telecommunications Devices	6,274,404	6,086,692	6,452,762	4,857,379	4,587,729
911 Excise	17,774,128	16,453,500	16,606,135	16,481,762	16,425,768
Municipal Water	2,375,423	2,392,765	2,377,136	2,545,748	2,427,127
Nursing Facility Assessment (4)	-----	-----	-----	-----	8,673,285
Waste Tire Accounts Receivable Collections	29,883	22,255	31,053	28,550	2,529
<b>GROSS STATE COLLECTIONS</b>	<b>\$5,374,277,044</b>	<b>\$4,909,826,212</b>	<b>\$5,853,946,069</b>	<b>\$6,185,435,504</b>	<b>\$6,437,022,947</b>
Municipal Privilege Tax	\$506,884,596	\$443,808,996	\$450,148,563	\$466,896,627	\$506,978,968
Apache County Excise Tax	1,443,180	1,057,667	1,052,062	1,189,314	1,115,268
Cochise County Excise Tax	7,457,788	7,136,677	6,951,160	6,891,804	6,997,151
Coconino County Excise Tax	11,697,597	10,722,220	11,110,639	11,297,308	11,666,641
Coconino County Jail Tax	11,680,202	10,741,640	11,101,630	11,295,614	11,660,897
Coconino County Capitol Projects Tax	2,921,475	2,676,492	2,773,896	2,814,563	2,913,345
Gila County Excise Tax	3,041,923	2,689,763	2,690,335	2,779,139	2,899,476
Gila County Road Tax	3,152,896	2,799,473	2,766,830	2,879,485	3,005,463
Graham County Excise Tax	1,982,088	1,601,005	1,682,449	1,798,603	1,957,102
Greenlee County Excise Tax	1,553,396	842,107	1,281,394	1,495,734	2,088,094
La Paz County Excise Tax	1,027,828	1,038,469	1,025,763	1,120,855	1,131,747
La Paz County Jail Tax	1,027,827	1,037,994	1,025,659	1,120,853	1,131,743
La Paz County Health Services District (3)	61	16	(7)	21	32
La Paz County Judgment Tax	-----	-----	-----	590,955	1,112,052
Maricopa County Road Tax	797,117	671,246	859,919	178,724	(93,903)
Maricopa County Road Tax Extension	327,388,602	298,352,305	308,374,052	323,991,403	341,670,551
Maricopa County Stadium Tax (3)	1,104	1,736	252	174	1
Maricopa County Jail Tax	118,527,726	107,492,524	111,547,857	117,547,456	124,019,899
Maricopa County Rental Car Surcharge	5,318,690	4,669,860	4,971,979	5,191,681	5,254,869
Mohave County Excise Tax	6,429,137	5,654,783	5,710,609	5,396,008	5,747,761
Navajo County Excise Tax	6,330,588	5,480,598	5,889,027	6,246,077	6,239,089
Pima County Hotel Tax	6,700,311	5,637,658	5,590,968	6,311,778	6,030,600
Pima County Rental Car Surcharge	1,388,670	1,339,960	1,372,901	1,463,761	1,398,973
Pima County R.V. Surcharge	167,218	180,969	164,805	145,559	136,195
Pima County Road Tax	67,221,351	62,936,950	64,540,737	67,504,860	70,893,757
Pinal County Excise Tax	14,335,789	12,130,566	12,032,993	12,449,204	12,761,984
Pinal County Health Services District	2,881,911	2,414,381	2,401,515	2,468,346	2,541,837
Pinal County Road Tax	14,830,503	12,599,660	12,561,088	12,952,327	13,300,223
Santa Cruz County Excise Tax	2,961,238	2,547,860	2,571,487	2,646,194	2,595,978
Santa Cruz County Jail Tax	2,951,355	2,445,901	2,609,373	2,641,677	2,594,044
Yavapai County Excise Tax	13,657,537	11,818,833	11,703,512	12,400,793	13,308,847
Yavapai County Jail Tax	6,829,627	5,908,756	5,850,290	6,199,337	6,653,214
Yuma County Excise Tax	11,937,204	10,463,855	10,761,578	11,230,569	11,610,142
Yuma County Jail Tax	11,937,082	10,463,970	10,761,452	11,230,580	11,610,076
Yuma County Capitol Projects Tax	65,276	18,633	37,106	18,947	16,966
Yuma County Health Services District	2,372,996	2,083,126	2,138,596	2,235,486	2,311,386
Sports & Tourism Authority	20,615,783	20,856,461	21,164,757	22,681,609	27,956,898
<b>COUNTY AND CITY COLLECTIONS</b>	<b>\$1,199,517,669</b>	<b>\$1,072,323,109</b>	<b>\$1,097,227,224</b>	<b>\$1,145,303,425</b>	<b>\$1,223,217,366</b>
<b>TOTAL DEPARTMENT OF REVENUE RECEIPTS</b>	<b>\$6,573,794,714</b>	<b>\$5,982,149,321</b>	<b>\$6,951,173,292</b>	<b>\$7,330,738,929</b>	<b>\$7,660,240,313</b>

(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 increased 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.

(4) Laws of 2012, Chapter 213 established a Nursing Facility Assessment to be remitted to the Department of Revenue on a quarterly basis. The FY13 figure represents a partial year's collection.

**TABLE 5**  
**STATE TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX RATES**  
**FISCAL YEAR 2012-13**

<b>TAXABLE ACTIVITIES</b>	<b>DISTRIBUTION BASE</b>	<b>NONSHARED</b>	<b>EDUCATION</b>	<b>TEMPORARY TAX (1)</b>	<b>TOTAL TAX</b>
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 increased 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 2008-09 THROUGH FISCAL YEAR 2012-13**

CLASSIFICATION	FY2008-09	% OF TOTAL	FY2009-10	% OF TOTAL	FY2010-11	% OF TOTAL	FY2011-12	% OF TOTAL	FY2012-13	% OF TOTAL
Transporting (4)	\$37,920,229	0.04	\$41,990,223	0.05	\$41,555,032	0.05	\$52,136,905	0.06	\$41,324,471	0.04
Mining, Oil & Gas	175,743,314	0.18	102,899,820	0.12	96,513,978	0.11	105,614,045	0.11	115,774,867	0.12
Mining Severance	729,481,920	0.76	1,164,231,217	1.33	1,609,450,811	1.80	1,623,111,320	1.72	1,193,176,084	1.21
Utilities	9,236,365,624	9.59	9,354,244,929	10.70	9,394,361,056	10.52	9,474,520,541	10.05	9,900,237,768	10.07
Communications	2,928,433,210	3.04	3,618,207,813	4.14	2,853,538,386	3.20	3,190,962,329	3.38	3,061,730,365	3.12
Private Car and Pipelines	7,742,692	0.01	1,639,838	n/a (2)	1,908,310	n/a (2)	1,186,118	n/a (2)	6,250,408	0.01
Publishing	102,456,538	0.11	103,681,055	0.12	98,343,131	0.11	92,504,602	0.10	84,672,718	0.09
Job Printing	307,581,474	0.32	236,985,401	0.27	266,564,040	0.30	252,603,147	0.27	235,348,616	0.24
Restaurants and Bars	9,094,485,498	9.44	9,020,794,923	10.32	9,311,826,427	10.43	9,996,824,507	10.60	10,544,419,377	10.73
Amusements	1,053,047,833	1.09	1,051,919,242	1.20	994,092,112	1.11	1,037,058,757	1.10	1,051,580,928	1.07
Commercial Lease (3)	874	n/a (2)	141,375	n/a (2)	1,750	n/a (2)	1,209	n/a (2)	1,706	n/a (2)
Personal Property Rentals	3,552,696,373	3.69	3,127,828,157	3.58	3,056,386,064	3.42	3,257,587,929	3.46	3,254,821,525	3.31
Contracting	14,882,705,766	15.45	9,311,612,411	10.65	8,983,260,649	10.06	9,543,335,350	10.12	10,092,875,787	10.27
Retail	46,174,068,033	47.94	42,913,931,049	49.08	45,898,838,365	51.42	48,178,713,977	51.10	51,276,107,347	52.18
Hotel/Motel	2,117,241,787	2.20	1,949,717,696	2.23	2,039,282,838	2.28	2,156,863,685	2.29	2,221,059,419	2.26
Rental Occupancy Tax (5)	(24,871)	n/a (2)	(62,113)	n/a (2)	42,581	n/a (2)	(2,602)	0.00 (2)	0	0.00 (2)
Use Tax	5,882,941,979	6.11	5,464,504,380	6.25	4,610,920,668	5.17	5,302,843,816	5.62	5,186,464,365	5.28
Use Tax-Utilities	38,653,312	0.04	(35,593,960)	(0.04)	10,039,995	0.01	10,022,025	0.01	10,283,377	0.01
Membership Camping (5)	10,780	0.00 (2)	9,730	n/a (2)	728	n/a (2)	0	0.00 (2)	0	0.00 (2)
<b>TOTAL</b>	<b>\$96,321,552,366</b>	<b>100.00</b>	<b>\$87,428,683,185</b>	<b>100.00</b>	<b>\$89,266,926,922</b>	<b>100.00</b>	<b>\$94,275,887,660</b>	<b>100.00</b>	<b>\$98,276,129,127</b>	<b>100.00</b>

(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 2012-13**

CLASSIFICATION	DISTRIBUTION BASE	NONSHARED	TOTAL COLLECTIONS
Transporting (1)	\$413,245	\$1,652,979	\$2,066,224
Nonmetal Mining, Oil and Gas	1,157,749	2,460,216	3,617,965
Mining Severance	23,863,522	5,965,880	29,829,402
Utilities	99,002,378	396,009,511	495,011,888
Communications	30,617,304	122,469,215	153,086,518
Private Car and Pipelines	62,504	250,016	312,520
Publishing	846,727	3,386,909	4,233,636
Job Printing	2,353,486	9,413,945	11,767,431
Restaurants and Bars	210,888,388	316,332,581	527,220,969
Amusements	21,031,619	31,547,428	52,579,046
Commercial Lease (2)	27	24	52
Rentals of Personal Property	65,096,380	97,644,569	162,740,949
Contracting	100,928,758	403,715,031	504,643,789
Retail	1,025,522,202	1,538,283,304	2,563,805,506
Hotel/Motel	61,079,134	61,079,134	122,158,268
Use Tax Utilities	102,834	411,335	514,169
Use Tax	0	257,899,313	257,899,313
License Fees	0	648,271	648,271
Jet Fuel Tax	1,505,337	2,258,006	3,763,343
Jet Fuel Use Tax	0	561,935	561,935
Non Sufficient Funds	0	71,667	71,667
Telecommunications Service Assistance	(4)	(18)	(22)
Mandatory EFT Fees	0	285,684	285,684
<b>TOTAL</b>	<b>\$1,644,471,588</b>	<b>\$3,252,346,935</b>	<b>\$4,896,818,522</b>

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

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

Figures may not add to total due to rounding.

**TABLE 8  
DISTRIBUTION OF TRANSACTION PRIVILEGE, USE  
AND SEVERANCE TAX COLLECTIONS  
FISCAL YEAR 2012-13**

Net Regular to State General Fund	\$3,819,525,185
Net Estimated Payments to General Fund	(21,908,400)
Net to Cities	411,117,897
Net to Counties	666,175,440
Net to Education Fund	567,824,410
Net to Temporary Tax	965,620,521
Temporary Tax Estimated Payment	(3,448,544)
911 Wireline/Excise, 911 Wireless, Telecommunications Devices, Nursing Facility Assessment, Municipal Water, and Waste Tire Accounts Receivable Collections	32,116,438
<b>TOTAL GROSS COLLECTIONS</b>	<b>\$6,437,022,947</b>

**ADDITIONAL DISTRIBUTION FROM  
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS  
FISCAL YEAR 2012-13**

Phoenix International Raceway - Highway Improvements	\$416,667
Rio Nuevo	9,755,752 *
Sports and Tourism Authority	6,790,999 *
Tribal Community Colleges	1,750,000
Convention Center	40,000,000
Additional distribution of city collections	39,622

\* These figures include a reconciliation of June 2012 distributions as well as an estimate of the June 2013 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, 2012 AND ENDING JUNE 30, 2013**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>CALCULATED NET TAXABLE INCOME</b>	<b>% CHANGE FROM FY 2011-12</b>	<b>COLLECTIONS</b>
Utilities	\$17,843,382	12.8%	\$892,169
Communications	19,152,335	-1.4%	957,616
Publishing	166,945	-71.3%	8,347
Job Printing	17,584	-41.9%	879
Restaurants and Bars	11,992,089	-10.7%	599,604
Amusements	77,722	NA	3,886
Rentals of Personal Property	5,198,082	43.4%	259,904
Contracting (All)	60,047,837	-32.0%	3,002,392
Retail	92,190,791	16.2%	4,609,540
Hotel/Motel	10,257,447	-12.8%	564,160
Other Taxable Activities (2)	103,295,875	NA	5,089,252
<b>TOTAL</b>	<b>\$320,240,088</b>	<b>-9.9%</b>	<b>\$15,987,750</b>

**NUMBER OF ACCOUNTS**  
**FISCAL YEAR 2010-11 THROUGH FISCAL YEAR 2012-13**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>FY2010-11</b>	<b>FY2011-12</b>	<b>FY2012-13</b>
Utilities	24	20	19
Communications	120	102	108
Publishing	14	17	15
Job Printing	12	12	12
Restaurants and Bars	76	72	66
Amusements	NA	NA	7
Rentals of Personal Property	150	157	172
Contracting (All)	438	444	440
Retail	1,370	1,497	1,602
Hotel/Motel	52	88	52
Other Taxable Activities (2)	955	963	999
<b>TOTAL</b>	<b>3,211</b>	<b>3,372</b>	<b>3,492</b>

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.  
(2) For FY13, different categories have been classified under the Other Taxable Activities compared to FY12.

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, 2012 AND ENDING JUNE 30, 2013**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>CALCULATED NET TAXABLE INCOME</b>	<b>% CHANGE FROM FY 2011-12</b>	<b>COLLECTIONS</b>
Utilities	\$178,919,761	4.7%	\$8,945,988
Communications	56,138,758	-3.1%	2,806,938
Publishing	895,040	0.6%	44,752
Job Printing	628,784	-5.5%	31,439
Restaurants and Bars	129,528,880	-2.6%	6,476,444
Amusements	5,257,448	4.0%	262,872
Rentals of Personal Property	22,588,544	-8.4%	1,129,427
Contracting (All)	167,549,189	-12.2%	8,377,459
Retail	806,464,775	8.3%	40,322,943
Hotel/Motel	32,365,689	-15.4%	1,780,113
Other Taxable Activities	65,464,404	-5.9%	3,246,393
<b>TOTAL</b>	<b>\$1,465,801,273</b>	<b>2.1%</b>	<b>\$73,424,770</b>

**NUMBER OF ACCOUNTS**  
**FISCAL YEAR 2010-11 THROUGH FISCAL YEAR 2012-13**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>FY2010-11</b>	<b>FY2011-12</b>	<b>FY2012-13</b>
Utilities	54	57	56
Communications	193	188	187
Publishing	20	25	26
Job Printing	27	27	16
Restaurants and Bars	368	349	335
Amusements	55	55	48
Rentals of Personal Property	345	339	339
Contracting (All)	1,131	1,117	1,083
Retail	3,545	3,591	3,696
Hotel/Motel	145	152	157
Other Taxable Activities	1,521	1,558	1,576
<b>TOTAL</b>	<b>7,404</b>	<b>7,458</b>	<b>7,519</b>

(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, 2012 AND ENDING JUNE 30, 2013**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>CALCULATED NET TAXABLE INCOME</b>	<b>% CHANGE FROM FY 2011-12</b>	<b>COLLECTIONS</b>
Utilities	\$178,316,648	3.4%	\$8,915,832
Communications	60,001,331	0.1%	3,000,067
Publishing	1,441,111	-3.3%	72,056
Job Printing	2,397,677	11.4%	119,884
Restaurants and Bars	367,102,987	6.2%	18,355,149
Amusements	71,188,207	7.9%	3,559,410
Rentals of Personal Property	66,364,930	13.5%	3,318,247
Contracting (All)	248,088,438	-9.1%	12,404,422
Retail	1,022,125,422	4.3%	51,106,271
Hotel/Motel	273,687,666	5.7%	15,052,822
Other Taxable Activities	89,222,834	-3.0%	4,411,660
<b>TOTAL</b>	<b>\$2,379,937,251</b>	<b>3.0%</b>	<b>\$120,315,819</b>

**NUMBER OF ACCOUNTS**  
**FISCAL YEAR 2010-11 THROUGH FISCAL YEAR 2012-13**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>FY2010-11</b>	<b>FY2011-12</b>	<b>FY2012-13</b>
Utilities	45	44	50
Communications	238	222	225
Publishing	33	36	40
Job Printing	42	48	39
Restaurants and Bars	465	486	490
Amusements	102	99	94
Rentals of Personal Property	473	464	459
Contracting (All)	1,695	1,671	1,609
Retail	4,491	4,614	4,737
Hotel/Motel	259	261	291
Other Taxable Activities	1,907	1,956	2,008
<b>TOTAL</b>	<b>9,750</b>	<b>9,901</b>	<b>10,042</b>

(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, 2012 AND ENDING JUNE 30, 2013**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>CALCULATED NET TAXABLE INCOME</b>	<b>% CHANGE FROM FY 2011-12</b>	<b>COLLECTIONS</b>
Utilities	\$132,024,195	2.2%	\$6,601,210
Communications	19,928,906	-6.6%	996,445
Publishing	503,693	-9.1%	25,185
Job Printing	393,961	27.7%	19,698
Restaurants and Bars	57,150,940	6.2%	2,857,547
Amusements	1,854,018	13.8%	92,701
Rentals of Personal Property	13,745,986	3.8%	687,299
Contracting (All)	77,277,938	2.9%	3,863,897
Retail	257,705,999	5.2%	12,885,300
Hotel/Motel	11,566,912	7.3%	636,180
Other Taxable Activities	14,363,439	NA	145,378
<b>TOTAL</b>	<b>\$586,515,988</b>	<b>-8.2%</b>	<b>\$28,810,840</b>

**NUMBER OF ACCOUNTS**  
**FISCAL YEAR 2010-11 THROUGH FISCAL YEAR 2012-13**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>FY2010-11</b>	<b>FY2011-12</b>	<b>FY2012-13</b>
Utilities	31	32	37
Communications	166	159	155
Publishing	17	19	20
Job Printing	11	14	9
Restaurants and Bars	175	171	165
Amusements	34	28	29
Rentals of Personal Property	227	237	231
Contracting (All)	790	796	786
Retail	2,174	2,257	2,283
Hotel/Motel	65	63	69
Other Taxable Activities	1,060	1,094	1,100
<b>TOTAL</b>	<b>4,750</b>	<b>4,870</b>	<b>4,884</b>

(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, 2012 AND ENDING JUNE 30, 2013**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>CALCULATED NET TAXABLE INCOME</b>	<b>% CHANGE FROM FY 2011-12</b>	<b>COLLECTIONS</b>
Communications	\$11,557,700	-5.3%	\$577,885
Restaurants and Bars	30,547,414	11.5%	1,527,371
Rentals of Personal Property	15,820,295	36.2%	791,015
Contracting (All)	41,608,469	0.2%	2,080,423
Retail	223,924,184	9.8%	11,196,209
Other Taxable Activities	172,290,948	-26.5%	6,346,613
<b>TOTAL</b>	<b>\$495,749,010</b>	<b>-6.7%</b>	<b>\$22,519,516</b>

**NUMBER OF ACCOUNTS**  
**FISCAL YEAR 2010-11 THROUGH FISCAL YEAR 2012-13**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>FY2010-11</b>	<b>FY2011-12</b>	<b>FY2012-13</b>
Communications	117	112	112
Restaurants and Bars	62	64	64
Rentals of Personal Property	143	163	158
Contracting (All)	328	352	334
Retail	1,326	1,433	1,468
Other Taxable Activities	896	951	957
<b>TOTAL</b>	<b>2,872</b>	<b>3,075</b>	<b>3,093</b>

(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, 2012 AND ENDING JUNE 30, 2013**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>CALCULATED NET TAXABLE INCOME</b>	<b>% CHANGE FROM FY 2011-12</b>	<b>COLLECTIONS</b>
Communications	\$3,811,119	2.3%	\$190,556
Restaurants and Bars	6,491,267	40.1%	324,563
Rentals of Personal Property	6,342,498	57.5%	317,125
Contracting (All)	107,138,266	161.3%	5,356,913
Retail	221,058,512	27.1%	11,052,926
Other Taxable Activities	506,169,142	-17.7%	14,419,010
<b>TOTAL</b>	<b>\$851,010,803</b>	<b>1.0%</b>	<b>\$31,661,094</b>

**NUMBER OF ACCOUNTS**  
**FISCAL YEAR 2010-11 THROUGH FISCAL YEAR 2012-13**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>FY2010-11</b>	<b>FY2011-12</b>	<b>FY2012-13</b>
Communications	76	76	63
Restaurants and Bars	23	23	28
Rentals of Personal Property	63	63	76
Contracting (All)	131	131	140
Retail	552	552	681
Other Taxable Activities	428	428	509
<b>TOTAL</b>	<b>1,273</b>	<b>1,273</b>	<b>1,497</b>

(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, 2012 AND ENDING JUNE 30, 2013**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>CALCULATED NET TAXABLE INCOME</b>	<b>% CHANGE FROM FY 2011-12</b>	<b>COLLECTIONS</b>
Utilities	\$27,573,167	4.7%	\$1,378,658
Communications	7,308,455	19.3%	365,423
Publication	74,249	69.3%	3,712
Job Printing	93,874	NA	4,694
Restaurants and Bars	23,685,838	1.3%	1,184,292
Amusements	466,568	NA	23,328
Rentals of Personal Property	2,757,715	2.4%	137,886
Contracting (All)	24,393,094	1.2%	1,219,655
Retail	131,769,924	-1.9%	6,588,496
Hotel/Motel	6,634,293	31.5%	364,886
Other Taxable Activities (2)	26,916,702	NA	1,343,678
<b>TOTAL</b>	<b>\$251,673,879</b>	<b>6.3%</b>	<b>\$12,614,708</b>

**NUMBER OF ACCOUNTS**  
**FISCAL YEAR 2010-11 THROUGH FISCAL YEAR 2012-13**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>FY2010-11</b>	<b>FY2011-12</b>	<b>FY2012-13</b>
Utilities	19	23	22
Communications	115	113	108
Publication	NA	15	15
Job Printing	NA	NA	6
Restaurants and Bars	96	106	92
Amusements	NA	NA	10
Rentals of Personal Property	128	137	141
Contracting (All)	324	339	340
Retail	1,731	1,751	1,766
Hotel/Motel	50	53	54
Other Taxable Activities (2)	711	739	735
<b>TOTAL</b>	<b>3,174</b>	<b>3,276</b>	<b>3,289</b>

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

(2) For FY13, different categories have been classified under the Other Taxable Activities compared to FY12.

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, 2012 AND ENDING JUNE 30, 2013**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>CALCULATED NET TAXABLE INCOME</b>	<b>% CHANGE FROM FY 2011-12</b>	<b>COLLECTIONS</b>
Utilities	\$6,193,160,022	2.5%	\$309,658,001
Communications	2,032,744,109	-0.2%	101,637,205
Publishing	54,010,399	-12.2%	2,700,520
Job Printing	192,749,204	-5.5%	9,637,460
Restaurants and Bars	7,246,055,555	6.3%	362,302,778
Amusements	764,808,262	0.4%	38,240,413
Rentals of Personal Property	2,470,608,871	-0.2%	123,530,444
Contracting (All)	6,531,514,137	7.1%	326,575,707
Retail	34,797,216,606	6.8%	1,739,861,119
Hotel/Motel	1,325,770,783	3.5%	72,917,393
Other Taxable Activities	4,060,681,522	-2.0%	202,265,706
<b>TOTAL</b>	<b>\$65,669,319,469</b>	<b>5.1%</b>	<b>\$3,289,326,746</b>

**NUMBER OF ACCOUNTS**  
**FISCAL YEAR 2010-11 THROUGH FISCAL YEAR 2012-13**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>FY2010-11</b>	<b>FY2011-12</b>	<b>FY2012-13</b>
Utilities	152	147	151
Communications	640	643	653
Publishing	261	239	237
Job Printing	809	758	753
Restaurants and Bars	6,593	6,833	6,791
Amusements	720	719	724
Rentals of Personal Property	2,619	2,595	2,495
Contracting (All)	13,866	13,836	13,538
Retail	45,017	44,800	44,857
Hotel/Motel	666	698	729
Other Taxable Activities	10,153	10,193	10,475
<b>TOTAL</b>	<b>81,496</b>	<b>81,461</b>	<b>81,403</b>

(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, 2012 AND ENDING JUNE 30, 2013**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>CALCULATED NET TAXABLE INCOME</b>	<b>% CHANGE FROM FY 2011-12</b>	<b>COLLECTIONS</b>
Utilities	\$347,647,275	-1.8%	\$17,382,364
Communications	90,596,107	4.6%	4,529,805
Publishing	1,253,333	0.7%	62,667
Job Printing	2,878,744	-14.4%	143,937
Restaurants and Bars	221,701,056	3.4%	11,085,053
Amusements	13,711,642	-6.6%	685,582
Rentals of Personal Property	48,259,217	-5.5%	2,412,961
Contracting (All)	182,100,087	-0.1%	9,105,004
Retail	1,308,115,311	10.6%	65,405,868
Hotel/Motel	42,515,159	-1.6%	2,338,334
Other Taxable Activities	138,229,255	38.5%	5,475,488
<b>TOTAL</b>	<b>\$2,397,007,187</b>	<b>7.3%</b>	<b>\$118,627,063</b>

**NUMBER OF ACCOUNTS**  
**FISCAL YEAR 2010-11 THROUGH FISCAL YEAR 2012-13**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>FY2010-11</b>	<b>FY2011-12</b>	<b>FY2012-13</b>
Utilities	54	59	63
Communications	175	172	168
Publishing	26	28	29
Job Printing	33	42	30
Restaurants and Bars	434	449	438
Amusements	64	70	66
Rentals of Personal Property	454	461	457
Contracting (All)	1,384	1,342	1,295
Retail	4,661	4,770	4,845
Hotel/Motel	152	151	140
Other Taxable Activities	1,957	2,004	1,983
<b>TOTAL</b>	<b>9,394</b>	<b>9,548</b>	<b>9,514</b>

(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, 2012 AND ENDING JUNE 30, 2013**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>CALCULATED NET TAXABLE INCOME</b>	<b>% CHANGE FROM FY 2011-12</b>	<b>COLLECTIONS</b>
Utilities	\$99,254,827	1.1%	\$4,962,741
Communications	37,230,173	-15.2%	1,861,509
Publishing	771,125	-8.1%	38,556
Printing	703,156	9.1%	35,158
Restaurants and Bars	90,808,015	1.6%	4,540,401
Amusements	5,523,065	NA	276,153
Rentals of Personal Property	22,418,104	-18.2%	1,120,905
Contracting (All)	107,557,928	-9.9%	5,377,896
Retail	840,818,578	2.6%	42,040,929
Hotel/Motel	32,488,431	-4.4%	1,786,864
Other Taxable Activities (2)	44,338,038	NA	2,191,355
<b>TOTAL</b>	<b>\$1,281,911,441</b>	<b>-0.7%</b>	<b>\$64,232,467</b>

**NUMBER OF ACCOUNTS**  
**FISCAL YEAR 2010-11 THROUGH FISCAL YEAR 2012-13**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>FY2010-11</b>	<b>FY2011-12</b>	<b>FY2012-13</b>
Utilities	40	41	43
Communications	160	144	145
Publishing	23	20	26
Printing	24	21	14
Restaurants and Bars	220	237	227
Amusements	NA	NA	33
Rentals of Personal Property	281	298	280
Contracting (All)	912	907	862
Retail	2,676	2,755	2,890
Hotel/Motel	146	142	134
Other Taxable Activities (2)	1,295	1,331	1,323
<b>TOTAL</b>	<b>5,777</b>	<b>5,896</b>	<b>5,977</b>

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

(2) For FY13, fewer categories have been classified under the Other Taxable Activities compared to FY12.

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, 2012 AND ENDING JUNE 30, 2013**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>CALCULATED NET TAXABLE INCOME</b>	<b>% CHANGE FROM FY 2011-12</b>	<b>COLLECTIONS</b>
Utilities	\$1,468,542,338	17.2%	\$73,427,117
Communications	414,671,257	-20.7%	20,733,563
Publishing	17,213,020	2.8%	860,651
Job Printing	28,498,350	-13.3%	1,424,918
Restaurants and Bars	1,550,215,056	3.2%	77,510,753
Amusements	101,599,887	5.0%	5,079,994
Rentals of Personal Property	377,833,129	-1.1%	18,891,656
Contracting (All)	1,447,000,329	5.6%	72,350,016
Retail	7,461,308,031	5.0%	373,065,441
Hotel/Motel	284,344,529	-0.7%	15,638,949
Other Taxable Activities	847,453,162	-13.1%	33,913,867
<b>TOTAL</b>	<b>\$13,998,679,088</b>	<b>3.3%</b>	<b>\$692,896,925</b>

**NUMBER OF ACCOUNTS**  
**FISCAL YEAR 2010-11 THROUGH FISCAL YEAR 2012-13**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>FY2010-11</b>	<b>FY2011-12</b>	<b>FY2012-13</b>
Utilities	87	91	87
Communications	303	314	316
Publishing	87	82	80
Job Printing	160	149	131
Restaurants and Bars	1,684	1,738	1,684
Amusements	203	222	223
Rentals of Personal Property	1,010	1,000	966
Contracting (All)	4,552	4,504	4,421
Retail	14,278	14,352	14,349
Hotel/Motel	254	267	282
Other Taxable Activities	4,062	4,082	4,165
<b>TOTAL</b>	<b>26,680</b>	<b>26,801</b>	<b>26,704</b>

(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, 2012 AND ENDING JUNE 30, 2013**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>CALCULATED NET TAXABLE INCOME</b>	<b>% CHANGE FROM FY 2011-12</b>	<b>COLLECTIONS</b>
Utilities	\$506,151,807	5.9%	\$25,307,590
Communications	127,504,926	-1.9%	6,375,246
Publishing	3,626,765	-2.0%	181,338
Job Printing	1,435,256	-19.7%	71,763
Restaurants and Bars	250,260,730	6.3%	12,513,036
Amusements	39,624,923	2.8%	1,981,246
Rentals of Personal Property	71,437,168	7.2%	3,571,858
Contracting (All)	397,490,821	6.0%	19,874,541
Retail	1,098,026,515	-0.2%	54,901,326
Hotel/Motel	20,370,698	-8.4%	1,120,388
Other Taxable Activities	226,457,976	-27.6%	8,883,557
<b>TOTAL</b>	<b>\$2,742,387,585</b>	<b>-0.8%</b>	<b>\$134,781,891</b>

**NUMBER OF ACCOUNTS**  
**FISCAL YEAR 2010-11 THROUGH FISCAL YEAR 2012-13**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>FY2010-11</b>	<b>FY2011-12</b>	<b>FY2012-13</b>
Utilities	73	79	77
Communications	223	206	208
Publishing	26	28	29
Job Printing	32	31	27
Restaurants and Bars	441	465	439
Amusements	93	90	99
Rentals of Personal Property	437	451	447
Contracting (All)	2,644	2,721	2,718
Retail	4,660	4,782	4,904
Hotel/Motel	114	109	113
Other Taxable Activities	1,816	1,924	1,921
<b>TOTAL</b>	<b>10,559</b>	<b>10,886</b>	<b>10,982</b>

(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, 2012 AND ENDING JUNE 30, 2013**

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2011-12	COLLECTIONS
Utilities	\$48,426,667	1.7%	\$2,421,333
Communications	22,864,933	-10.5%	1,143,247
Publications	128,384	-3.7%	6,419
Job Printing	277,677	-37.7%	13,884
Restaurants and Bars	48,040,488	10.0%	2,402,024
Amusements	4,659,049	8.9%	232,952
Rentals of Personal Property	11,739,946	-8.9%	586,997
Contracting (All)	61,453,723	-26.1%	3,072,686
Retail	303,458,219	1.5%	15,172,911
Hotel/Motel	13,832,683	58.6%	760,798
Other Taxable Activities	25,157,804	40.5%	1,257,614
<b>TOTAL</b>	<b>\$540,039,573</b>	<b>-0.6%</b>	<b>\$27,070,866</b>

**NUMBER OF ACCOUNTS**  
**FISCAL YEAR 2010-11 THROUGH FISCAL YEAR 2012-13**

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2010-11	FY2011-12	FY2012-13
Utilities	21	22	17
Communications	133	129	131
Publications	NA	13	14
Job Printing	13	19	12
Restaurants and Bars	131	133	132
Amusements	19	22	21
Rentals of Personal Property	214	228	224
Contracting (All)	546	583	542
Retail	1,998	2,119	2,198
Hotel/Motel	36	40	44
Other Taxable Activities	959	1,001	1,030
<b>TOTAL</b>	<b>4,070</b>	<b>4,309</b>	<b>4,365</b>

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

Figures may not add to total due to rounding.

**TABLE 22**  
**TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)**  
**IN YAVAPAI COUNTY FOR THE PERIOD BEGINNING**  
**JULY 1, 2012 AND ENDING JUNE 30, 2013**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>CALCULATED NET TAXABLE INCOME</b>	<b>% CHANGE FROM FY 2011-12</b>	<b>COLLECTIONS</b>
Utilities	\$322,695,044	1.0%	\$16,134,752
Communications	93,109,663	-2.8%	4,655,483
Publishing	2,738,603	-1.7%	136,930
Job Printing	3,443,410	-15.6%	172,171
Restaurants and Bars	285,745,619	4.2%	14,287,281
Amusements	27,038,208	1.0%	1,351,910
Rentals of Personal Property	49,641,099	17.5%	2,482,055
Contracting (All)	343,275,808	19.9%	17,163,790
Retail	1,388,138,408	7.1%	69,406,920
Hotel/Motel	107,706,695	10.7%	5,923,868
Other Taxable Activities	283,834,609	-11.8%	9,283,853
<b>TOTAL</b>	<b>\$2,907,367,166</b>	<b>5.1%</b>	<b>\$140,999,015</b>

**NUMBER OF ACCOUNTS**  
**FISCAL YEAR 2010-11 THROUGH FISCAL YEAR 2012-13**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>FY2010-11</b>	<b>FY2011-12</b>	<b>FY2012-13</b>
Utilities	75	77	82
Communications	222	210	214
Publishing	48	49	50
Job Printing	57	55	53
Restaurants and Bars	623	643	620
Amusements	92	87	95
Rentals of Personal Property	462	463	466
Contracting (All)	2,326	2,255	2,256
Retail	6,140	6,265	6,356
Hotel/Motel	206	209	210
Other Taxable Activities	2,025	2,064	2,134
<b>TOTAL</b>	<b>12,276</b>	<b>12,377</b>	<b>12,536</b>

(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, 2012 AND ENDING JUNE 30, 2013**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>CALCULATED NET TAXABLE INCOME</b>	<b>% CHANGE FROM FY 2011-12</b>	<b>COLLECTIONS</b>
Utilities	\$256,129,274	4.0%	\$12,806,464
Communications	65,110,593	-4.7%	3,255,530
Publications	1,628,765	-7.9%	81,438
Job Printing	1,739,463	NA	86,973
Restaurants and Bars	225,093,445	2.7%	11,254,672
Amusements	14,178,475	NA	708,924
Rentals of Personal Property	70,063,389	-15.0%	3,503,169
Contracting (All)	296,379,722	0.7%	14,818,986
Retail	1,323,786,161	6.2%	66,189,308
Hotel/Motel	48,434,340	-6.5%	2,663,889
Other Taxable Activities (2)	85,852,309	NA	4,272,728
<b>TOTAL</b>	<b>\$2,388,395,937</b>	<b>4.1%</b>	<b>\$119,642,081</b>

**NUMBER OF ACCOUNTS**  
**FISCAL YEAR 2010-11 THROUGH FISCAL YEAR 2012-13**

<b>TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS</b>	<b>FY2010-11</b>	<b>FY2011-12</b>	<b>FY2012-13</b>
Utilities	32	36	39
Communications	191	194	191
Publications	NA	18	24
Job Printing	NA	NA	21
Restaurants and Bars	364	371	339
Amusement	NA	NA	54
Rentals of Personal Property	411	426	413
Contracting (All)	974	961	963
Retail	3,669	3,837	3,905
Hotel/Motel	102	109	102
Other Taxable Activities (2)	1,726	1,812	1,758
<b>TOTAL</b>	<b>7,469</b>	<b>7,764</b>	<b>7,809</b>

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

(2) For FY13, fewer categories have been classified under the Other Taxable Activities compared to FY12.

Figures may not add to total due to rounding.

**TABLE 24**  
**STATE TRANSACTION PRIVILEGE AND SEVERANCE TAX**  
**DISTRIBUTION TO COUNTIES**  
**FISCAL YEAR 2008-09 THROUGH FISCAL YEAR 2012-13**

COUNTY	FY2008-09	FY2009-10	FY2010-11	FY2011-12	% CHANGE FROM	
					FY2012-13	FY 2011-12
Apache	\$4,487,263	\$3,985,796	\$4,116,316	\$4,148,680	\$4,339,846	4.6%
Coconino	15,301,303	14,350,374	15,586,920	17,035,207	17,805,463	4.5%
Cochise	11,305,289	10,616,654	10,880,090	10,964,080	12,165,517	11.0%
Gila	4,696,318	4,225,153	4,381,303	4,614,778	4,752,150	3.0%
Graham	3,146,715	3,321,780	3,234,712	3,624,351	3,606,256	-0.5%
Greenlee	3,078,106	3,337,405	3,945,202	4,376,829	4,983,640	13.9%
La Paz	1,742,796	1,654,035	1,717,668	1,941,213	2,116,238	9.0%
Maricopa	400,099,771	367,202,478	383,243,745	398,827,938	416,999,312	4.6%
Mohave	19,087,627	17,295,217	17,551,555	17,391,271	18,652,134	7.2%
Navajo	9,747,301	8,831,817	9,326,061	9,605,663	10,088,685	5.0%
Pima	90,391,382	84,769,872	88,630,774	92,723,932	97,196,166	4.8%
Pinal	20,740,073	18,910,351	20,318,239	26,600,160	27,498,147	3.4%
Santa Cruz	4,101,137	3,709,093	3,874,088	4,062,329	4,216,541	3.8%
Yavapai	22,136,382	20,676,049	21,703,058	22,955,984	23,792,545	3.6%
Yuma	17,115,359	15,593,103	16,319,557	17,095,552	17,962,799	5.1%
<b>TOTAL</b>	<b>\$627,176,822</b>	<b>\$578,479,176</b>	<b>\$604,829,288</b>	<b>\$635,967,967</b>	<b>\$666,175,440</b>	<b>4.7%</b>

Figures may not add to totals due to rounding.

**TABLE 25**  
**STATE TRANSACTION PRIVILEGE AND SEVERANCE TAX**  
**DISTRIBUTION TO MUNICIPALITIES**  
**FISCAL YEAR 2012-13**

<b>CITIES</b>	<b>AMOUNT</b>	<b>COUNTY</b>	<b>CITIES</b>	<b>AMOUNT</b>	<b>COUNTY TOTAL</b>
<b>APACHE</b>					
Eagar	\$399,846		Scottsdale	\$17,793,363	
Springerville	160,512		Surprise	9,618,983	
St. Johns	284,844	\$845,202	Tempe	13,236,998	
<b>COCHISE</b>			Tolleson	535,720	
Benson	\$417,854		Wickenburg	520,823	
Bisbee	456,324		Youngtown	503,880	\$289,172,324
Douglas	1,422,421		<b>MOHAVE</b>		
Huachuca City	151,671		Bullhead City	\$399,846	
Sierra Vista	3,592,314		Colorado City	394,608	
Tombstone	112,955		Kingman	2,297,418	
Willcox	307,517	\$6,461,057	Lake Havasu City	4,299,431	\$7,391,303
<b>COCONINO</b>			<b>NAVAJO</b>		
Flagstaff	\$5,391,581		Holbrook	\$413,597	
Fredonia	107,553		Pinetop-Lakeside	350,490	
Page	593,180		Show Low	872,541	
Tusayan	45,673		Snowflake	457,552	
Williams	247,438	\$6,385,426	Taylor	336,575	
<b>GILA</b>			Winslow	790,280	\$3,221,033
Globe	\$616,508		<b>PIMA</b>		
Hayden	54,186		Marana	\$2,861,622	
Miami	150,362		Oro Valley	3,356,826	
Payson	1,252,415		Sahuarita	2,067,495	
Star Valley	189,078		South Tucson	462,626	
Winkelman	28,894	\$2,291,442	Tucson	42,572,452	\$51,321,022
<b>GRAHAM</b>			<b>PINAL</b>		
Pima	\$195,380		Apache Junction	\$2,933,570	
Safford	782,995		Casa Grande	3,975,626	
Thatcher	398,209	\$1,376,584	Coolidge	967,898	
<b>GREENLEE</b>			Eloy	1,361,278	
Clifton	\$271,011		Florence	2,090,169	
Duncan	56,969	\$327,980	Kearny	159,611	
<b>LA PAZ</b>			Mammoth	116,721	
Parker	\$252,349		Maricopa	3,559,082	
Quartzsite	300,969	\$553,318	Superior	232,214	\$15,396,168
<b>MARICOPA</b>			<b>SANTA CRUZ</b>		
Avondale	\$6,240,221		Nogales	\$1,705,547	
Buckeye	4,164,294		Patagonia	74,731	\$1,780,277
Carefree	275,268		<b>YAVAPAI</b>		
Cave Creek	410,487		Camp Verde	\$889,975	
Chandler	19,327,102		Chino Valley	885,391	
El Mirage	2,602,643		Clarkdale	335,347	
Fountain Hills	1,840,766		Cottonwood	922,061	
Gila Bend	157,319		Dewey-Humboldt	318,731	
Gilbert	17,062,262		Jerome	36,342	
Glendale	18,557,531		Prescott	3,261,223	
Goodyear	5,342,879		Prescott Valley	3,177,652	
Guadalupe	452,068		Sedona	821,056	\$10,647,778
Litchfield Park	448,221		<b>YUMA</b>		
Mesa	35,936,314		San Luis	\$2,104,763	
Paradise Valley	1,049,341		Somerton	1,169,417	
Peoria	12,610,504		Wellton	235,897	
Phoenix	118,327,642		Yuma	7,600,328	\$11,110,405
Queen Creek	2,157,696		<b>TOTAL</b>		
				<b>\$408,281,322</b>	<b>\$408,281,322</b>

City Distributions are based on relative population.

**TABLE 26**  
**MUNICIPAL PRIVILEGE TAX COLLECTION PROGRAM**  
**COLLECTIONS BY CITY**  
**FISCAL YEAR 2012-13**

<b>CITY</b>	<b>RATE *</b> <b>(PERCENT)</b>	<b>COLLECTIONS</b>	<b>CITY</b>	<b>RATE *</b> <b>(PERCENT)</b>	<b>COLLECTIONS</b>
Apache Junction (1)		\$5,259	Miami	2.50	442,131
Benson	2.50	2,974,599	Oro Valley	2.00	14,178,384
Bisbee	2.50	1,857,405	Page	3.00	7,359,792
Buckeye	3.00	16,349,031	Paradise Valley	2.50	11,686,882
Bullhead City (2)		21,301	Parker	2.00	1,248,755
Camp Verde	3.00	2,541,404	Patagonia	3.00	191,231
Carefree	3.00	2,778,722	Payson	2.12	6,047,113
Casa Grande	1.80	19,395,850	Pima	2.00	254,047
Cave Creek	3.00	6,046,905	Pinetop-Lakeside	2.50	3,286,485
Chino Valley	3.00	3,882,227	Prescott Valley	2.33	11,535,323
Clarkdale	3.00	1,089,870	Quartzsite	2.50	1,301,138
Clifton	3.00	691,150	Queen Creek	2.25	15,394,611
Colorado City	2.00	259,649	Safford	2.50	6,093,108
Coolidge	3.00	4,661,055	Sahuarita	2.00	7,576,414
Cottonwood	3.00	11,187,166	Saint Johns	3.00	721,508
Dewey-Humboldt	2.00	372,497	San Luis	4.00	6,531,779
Douglas (3)		(3,373)	Sedona (4)		111,202
Duncan	2.00	107,030	Show Low	2.00	9,206,661
Eagar	3.00	801,128	Sierra Vista	1.75	16,192,020
El Mirage	3.00	6,053,980	Snowflake	2.00	1,021,081
Eloy	3.00	4,786,595	Somerton (5)		41,450
Florence	2.00	3,613,446	South Tucson	2.50	1,802,340
Fountain Hills	2.60	7,948,271	Springerville	3.00	1,420,690
Fredonia	4.00	253,136	Star Valley	2.00	244,858
Gila Bend	3.00	2,491,799	Superior	2.00	303,328
Gilbert	1.50	61,138,257	Surprise	2.20	37,113,796
Globe	2.00	3,816,209	Taylor	2.00	647,477
Goodyear	2.50	39,631,700	Thatcher	2.50	2,900,571
Guadalupe	4.00	1,408,012	Tolleson	2.50	14,226,275
Hayden	3.00	1,690,428	Tombstone	2.50	686,212
Holbrook	3.00	3,959,660	Tusayan	2.00	2,595,433
Huachuca City	1.50	161,091	Wellton	2.50	652,902
Jerome	3.50	708,533	Wickenburg	2.20	2,769,471
Kearny	3.00	698,682	Willcox (6)		(25,197)
Kingman	2.00	12,537,987	Williams	3.00	3,933,282
Lake Havasu City	2.00	15,587,248	Winkelman	3.50	105,372
Litchfield Park	2.80	4,167,733	Winslow	3.00	4,437,565
Mammoth	2.00	89,114	Youngtown	3.00	1,237,299
Marana	2.00	24,514,184	Yuma	1.70	32,719,469
Maricopa	2.00	8,511,770			
			<b>TOTAL</b>		<b>\$506,978,968</b>

\* 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.

Figures may not add to total due to rounding.

**TABLE 27**  
**MUNICIPAL PRIVILEGE TAX COLLECTION PROGRAM**  
**FISCAL YEAR 2008-09 THROUGH FISCAL YEAR 2012-13**

FISCAL YEAR	TOTAL COLLECTIONS	NUMBER OF CITIES IN PROGRAM
2008-09	\$506,884,596	76
2009-10	\$443,808,887	76
2010-11	\$450,148,563	73
2011-12	\$466,896,627	73
2012-13	\$506,978,968	73

**NON PROGRAM CITY MUNICIPAL PRIVILEGE TAX COLLECTIONS (1)**

	FY 2010-11	FY 2011-12	FY 2012-13
APACHE JUNCTION	\$9,956,281	\$10,392,302	\$10,877,057
AVONDALE	29,634,273	32,789,899	35,577,512
BULLHEAD CITY	10,873,867 (2)	10,163,746 (2)	10,336,537 (2)
CHANDLER	83,971,941	95,151,159	102,200,516
DOUGLAS	4,245,832	5,790,053	5,389,897
FLAGSTAFF	23,362,125	24,595,088	26,328,187
GLENDALE	93,259,414	97,237,309 (2)	124,890,480 (2)
MESA	121,531,121	126,777,870	133,506,015
NOGALES	9,745,548	9,841,089	9,835,973
PEORIA	58,082,216	60,719,649	65,950,235
PHOENIX	646,849,227	674,425,999	699,735,964
PRESCOTT	22,501,740	23,721,779	26,932,232
SCOTTSDALE	142,666,455	151,052,744	144,909,078
SEDONA	12,899,694	10,670,880	11,389,664
SOMERTON	538,923	1,337,769	1,378,727
TEMPE	120,542,000	126,124,000	130,087,000
TUCSON	182,441,010	190,629,228	196,209,066
WILLCOX	565,122	2,295,667	2,376,729

(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) 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 \$662.0 million during fiscal year 2013 (*Refer to Table 28*).

## **INDIVIDUAL INCOME TAX**

### **MAJOR FEATURES**

For tax year 2010 filed in 2011, approximately 2.6 million individual filers reported Arizona gross income (defined as federal adjusted gross income) totaling more than \$128.4 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 2010 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, 2<sup>nd</sup> 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.

### **Airline Bankruptcy Payments**

This credit is a one-time individual income tax credit for tax year 2013. The FAA Modernization and Reform Act allowed individual taxpayers that received qualified airline bankruptcy-related payments between 2001 and 2011 to make contributions to a traditional IRA and treat the contributions as if they were made in the year in which the payments were received. Taxpayers who take advantage of this provision are required to file amended federal income tax returns. Instead of filing Arizona amended returns, taxpayers will be allowed a credit on their 2013 Arizona tax return based on the reduction in tax that would have occurred if they would have been allowed to amend their Arizona 2001 through 2011 tax returns.

### **Contributions to Qualifying Charitable Organizations**

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. Taxpayers may also contribute to a Qualifying Foster Care Charitable Organization (QFCO). If a contribution is made to a QFCO, the credit available to the taxpayer is \$400 or \$800, 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.

**CREDIT****AVAILABLE TO****Healthy Forest Enterprises**

Businesses that operate a healthy forest enterprise may receive a non-refundable credit against corporate and individual income tax liabilities. Taxpayers claiming this credit must be certified by the Arizona Commerce Authority (ACA).

**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.

**Investment in Qualified Small Businesses**

Allows a credit for investments in qualified small businesses to individuals. The credit must be pre-approved by the ACA.

**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. The credit must be pre-approved by the ACA.

**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.

**Qualified Health Insurance Plans**

The nonrefundable credit is available to employers who provide qualified health insurance plans or contributions to health savings accounts for its employees who are Arizona residents. The credit amount is \$360 for every employee who is enrolled in the plan.

**Qualified Facilities**

Provides a refundable credit, available in five equal installments, for those that expanded or located a qualified facility in Arizona. The credit must be approved by the ACA. There is an aggregate cap on approvals of \$70 million (in conjunction with the renewable energy industry credit) and a per taxpayer cap of \$30 million. The amount of the credit is 10% of the lesser of the taxpayer's total capital investment in the qualified facility or \$200,000 for each net new full-time employment position at the qualified facility.

**CREDIT****AVAILABLE TO**

<b>Private School Tuition Organizations</b>	Individual taxpayers that made contributions to a school tuition organization that provides scholarships or grants to qualified schools. The credit is \$517 or \$1,034, depending upon filing status. An additional credit of \$514 or \$1,028, depending upon filing status, is available for contributions that exceed the maximum allowable credit.
<b>Property Tax</b>	A refundable credit for property taxes accrued if certain age and income level conditions are met.
<b>Public School Extra Curricular Activity</b>	Individual taxpayers that make contributions or paid certain fees to public schools in Arizona. The credit is \$200 or \$400, depending upon filing status.
<b>Recycling Equipment</b>	Taxpayers who acquire and place in service recycling equipment in Arizona. This credit was repealed for corporations not individuals.
<b>Renewable Energy Industry</b>	This credit provides refundable individual and corporate income tax credits for expanding or locating qualified renewable energy operations in this state. The credit must be pre-approved by the ACA.
<b>Renewable Energy Production</b>	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. The credit must be pre-approved by the ACA.
<b>Research and Development</b>	A non-refundable individual and corporate income tax credit for an increase in qualifying research and development expenses conducted in Arizona. There is also a refundable credit for small businesses that must be pre-approved by the ACA.
<b>Research and Development – University Research</b>	This is an additional individual or corporate research and development income tax credit for research conducted through Arizona State University, Northern Arizona University or University of Arizona. This credit requires pre-approval through the Arizona Department of Revenue
<b>School Site Donation</b>	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.
<b>Solar Energy Devices</b>	Individual taxpayers who install a solar energy device in his or her residence located in Arizona.
<b>Solar Energy Devices – Commercial and Industrial Applications</b>	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. The credit must be pre-approved by the ACA.
<b>Solar Liquid Fuel</b>	Provides nonrefundable individual and corporate credits for increased research activities related to solar liquid fuel.
<b>Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets</b>	Taxpayers for the installation of solar hot water heater plumbing stub outs and electric vehicle recharge outlets in houses or dwelling units constructed by the taxpayer. The houses or dwelling units must be located in Arizona.

**CREDIT**

**AVAILABLE TO**

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

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 2008-09 THROUGH FISCAL YEAR 2012-13**

SOURCE	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13	PERCENT OF NET COLLECTIONS IN FY2012-13
<u>Withheld from Wages</u>						
Gross Revenue	\$3,092,546,185	\$3,017,256,893	\$3,234,666,688	\$3,343,314,942	\$3,459,818,705	
Refunds and Charge-offs	(13,229,118)	(10,152,178)	(7,044,562)	(10,751,762)	(9,321,721)	
<b>NET</b>	<b>\$3,079,317,068</b>	<b>\$3,007,104,715</b>	<b>\$3,227,622,125</b>	<b>\$3,332,563,180</b>	<b>\$3,450,496,984</b>	85.0%
<u>Individuals &amp; Fiduciaries</u>						
Gross Revenue	\$967,788,513	\$768,011,214	\$867,110,332	\$1,027,389,330	\$1,170,646,638	
Regular Refunds and Charge-offs	(1,471,652,247)	(1,351,901,223)	(1,224,167,109)	(1,260,775,055)	(1,222,241,845)	
<b>NET</b>	<b>(\$503,863,734)</b>	<b>(\$583,890,008)</b>	<b>(\$357,056,777)</b>	<b>(\$233,385,726)</b>	<b>(\$51,595,207)</b>	-1.3%
<u>Corporations</u>						
Gross Revenue	\$749,362,551	\$650,925,393	\$659,266,690	\$758,413,453	\$755,002,081	
Refunds and Charge-offs	(157,110,835)	(237,644,455)	(98,958,514)	(110,525,973)	(92,975,683)	
<b>NET</b>	<b>\$592,251,716</b>	<b>\$413,280,938</b>	<b>\$560,308,176</b>	<b>\$647,887,480</b>	<b>\$662,026,398</b>	16.3%
<b>Subtotal Net Collections</b>	<b>\$3,167,705,050</b>	<b>\$2,836,495,645</b>	<b>\$3,430,873,524</b>	<b>\$3,747,064,934</b>	<b>\$4,060,928,175</b>	100.0%
<b>Less distributions for:</b>						
Urban Revenue Sharing	\$727,677,400 (1)	\$628,644,630	\$474,006,520	\$424,423,442	\$513,584,045	
Child Abuse Prevention	232,949	220,098	159,694	156,194	158,556	
Veteran's Donation Fund	300,509	69,746	88,604	97,546	103,323	
Aid to Education	79,933	84,117	65,775	67,806	84,949	
Domestic Violence Shelter	183,973	161,673	118,629	122,343	115,625	
Special Olympics	103,287	98,752	72,928	74,582	63,923	
Wildlife Contributions	226,343	202,627	156,130	154,626	143,775	
Neighbors Helping Neighbors	59,433	52,383	33,099	31,315	32,549	
Clean Elections	6,355,933	6,019,188	6,199,220	6,273,004	579,740	
National Guard Relief Fund	87,491	71,775	48,845	43,577	40,660	
I Did Not Pay Enough Fund	-----	-----	17,121	14,523	15,124	
Democratic Party	18,554	14,595	10,691	11,597	11,266	
Libertarian Party	1,918	1,162	1,094	568	444	
Republican Party	10,573	9,335	7,744	8,649	5,986	
Green Party	684	578	319	638	518	
Americans Elect	-----	-----	-----	-----	210	
Job Creation W/H Clearing Acct (2)	-----	-----	-----	31,500,000	31,500,000	
<b>Subtotal Distributions</b>	<b>\$735,338,981</b>	<b>\$635,650,660</b>	<b>\$480,986,414</b>	<b>\$462,980,411</b>	<b>\$546,440,691</b>	
<b>NET REVENUE TO STATE GENERAL FUND</b>	<b>\$2,432,366,069</b>	<b>\$2,200,844,986</b>	<b>\$2,949,887,110</b>	<b>\$3,284,084,523</b>	<b>\$3,514,487,484</b>	
WQARF Distribution	\$13,000,000	\$7,000,000	\$7,000,000	\$7,000,000	\$7,000,000	
Sports and Tourism Authority	\$4,200,254	\$6,419,515	\$5,810,440	\$6,168,488	\$5,337,915	
Use Tax on Income Tax Return (3)	-----	-----	-----	\$1,705,724	\$166,277	

- (1) 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.
- (2) 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.
- (3) 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. Pursuant to SB1214, Chapter 323, 2nd Regular Session, 2012, the provision was repealed retroactively to tax years beginning January 1, 2012. 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 2009 THROUGH TAX YEAR 2012**

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
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
2012	2,100	1,500	2,100	2,300	4,833/9,665	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 2009 THROUGH TAX YEAR 2011**

CREDIT	TAX YEAR 2009		TAX YEAR 2010		TAX YEAR 2011	
	CLAIMANTS	CREDITS	CLAIMANTS	CREDITS	CLAIMANTS	CREDITS
Agricultural Pollution Control	3	\$13,306	(1)	(1)	(2)	(2)
Agricultural Water Conservation	141	\$1,011,846	98	\$677,937	(2)	(2)
Clean Elections	26,088	\$633,415	24,908	\$644,314	25,275	\$596,451
Commercial & Industrial Solar Energy Contributions to Charities that Provide Assistance to the Working Poor	81	\$325,054	46	\$257,980	17	\$51,384
Defense Contracting	49,915	\$12,889,895	61,602	\$16,727,074	66,396	\$18,012,263
Donations to Military Family Relief Fund	0	\$0	0	\$0	(2)	(2)
Employing National Guard Members	3,185	\$998,331	3,052	\$995,849	3,007	\$996,695
Employment of TANF Recipients	(1)	(1)	(1)	(1)	(2)	(2)
Enterprise Zone	0	\$0	3	\$20,822	(2)	(2)
Environmental Technology	98	\$1,190,630	(2)	(2)	(2)	(2)
Family Tax Credit	(1)	(1)	(1)	(1)	(2)	(2)
Healthy Forest Enterprises	515,867	\$5,270,319	516,513	\$5,594,106	533,345	\$5,905,317
Income Taxes Paid to Other States	0	\$0	(2)	(2)	(2)	(2)
Increased Excise Taxes Paid	30,125	\$75,216,168	36,535	\$84,093,029	39,174	\$82,151,564
Investment in Qualified Small Business	664,675	\$35,928,030	656,524	\$35,278,230	672,009	\$35,659,215
Military Reuse Zone	208	\$574,434	203	\$791,082	(2)	(2)
Motion Picture Production & Infrastructure	0	\$0	(1)	(1)	(2)	(2)
Pollution Control Device	8	\$99,935	7	\$182,637	4	\$54,053
Private School Tuition Organization (3)	(1)	(1)	(1)	(1)	(2)	(2)
Property Tax	73,430	\$50,879,153	62,940	\$43,183,534	71,614	\$48,981,406
Public School Extra Curricular Activity (3)	17,366	\$6,606,391	17,526	\$6,750,770	18,503	\$7,183,778
Recycling Equipment	239,031	\$42,657,087	250,004	\$43,718,717	250,216	\$48,442,987
Renewable Energy Industry	0	\$0	0	\$0	(2)	(2)
Renewable Energy Production	-----	-----	0	\$0	(2)	(2)
Research and Development	-----	-----	-----	-----	(2)	(2)
School Site Donation	336	\$4,592,244	466	\$6,521,146	503	\$6,833,284
Solar Energy	23	\$76,226	19	\$141,029	(2)	(2)
Solar Hot Water Heater & Plumbing Stub Outs	8,449	\$4,983,151	9,000	\$5,980,000	(2)	(2)
Solar Liquid Fuel Research & Development	16	\$1,568	15	\$1,662	(2)	(2)
Water Conservation Systems	-----	-----	-----	-----	(2)	(2)
<b>Total</b>	<b>212</b>	<b>\$104,876</b>	<b>230</b>	<b>\$104,280</b>	<b>140</b>	<b>\$60,387</b>
	<b>1,629,263</b>	<b>\$244,060,031</b>	<b>1,639,699</b>	<b>\$251,688,107</b>	<b>1,680,203</b>	<b>\$254,928,784</b>

(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 2010 (1)**

<b>FEDERAL ADJUSTED GROSS INCOME</b>	<b># OF FILERS</b>	<b>% OF TOTAL</b>	<b>LIABILITY</b>	<b>% OF TOTAL</b>
Negative Income	45,786	1.93%	\$285,949	0.01%
\$0.01 to \$1,999	41,167	1.73%	20,718	0.00%
\$2,000 to \$5,999	115,872	4.88%	53,818	0.00%
\$6,000 to \$9,999	155,393	6.54%	2,708,535	0.10%
\$10,000 to \$13,999	178,452	7.51%	10,474,515	0.40%
\$14,000 to \$19,999	252,344	10.63%	27,733,621	1.06%
\$20,000 to \$24,999	185,041	7.79%	37,102,326	1.42%
\$25,000 to \$29,999	156,034	6.57%	48,847,584	1.87%
\$30,000 to \$39,999	259,142	10.91%	123,806,502	4.75%
\$40,000 to \$49,999	188,568	7.94%	130,140,404	4.99%
\$50,000 to \$74,999	320,181	13.48%	328,540,471	12.60%
\$75,000 to \$99,999	196,642	8.28%	314,535,119	12.06%
\$100,000 to \$199,999	222,025	9.35%	650,808,457	24.96%
\$200,000 to \$499,999	48,169	2.03%	396,851,462	15.22%
\$500,000 to \$999,999	6,842	0.29%	160,749,899	6.17%
\$1,000,000 to \$4,999,999	2,872	0.12%	196,997,141	7.56%
\$5,000,000 and over	279	0.01%	177,416,546	6.81%
<b>TOTAL</b>	<b>2,374,809</b>	<b>100.00%</b>	<b>\$2,607,073,067</b>	<b>100.00%</b>

(1) This summary combines all liability reported on the Arizona Form 140 and 140A Individual Income tax returns for tax year 2010, filed from January 2011 forward.

**TABLE 31**  
**NONRESIDENT/ PART YEAR RESIDENT INDIVIDUAL INCOME TAX**  
**LIABILITY BY FEDERAL ADJUSTED GROSS INCOME**  
**TAX YEAR 2010 (1)**

<b>ARIZONA PORTION OF FEDERAL ADJUSTED GROSS INCOME</b>	<b># OF FILERS</b>	<b>% OF TOTAL</b>	<b>LIABILITY</b>	<b>% OF TOTAL</b>
Negative Income	49,557	20.99%	4,519,051	2.80%
\$0.01 to \$1,999	25,551	10.82%	271,376	0.17%
\$2,000 to \$5,999	34,178	14.48%	948,811	0.59%
\$6,000 to \$9,999	24,158	10.23%	1,585,505	0.98%
\$10,000 to \$13,999	18,071	7.65%	2,246,721	1.39%
\$14,000 to \$19,999	19,265	8.16%	4,070,290	2.52%
\$20,000 to \$24,999	11,243	4.76%	3,646,667	2.26%
\$25,000 to \$29,999	8,343	3.53%	3,582,691	2.22%
\$30,000 to \$39,999	11,955	5.06%	7,108,892	4.40%
\$40,000 to \$49,999	7,900	3.35%	6,519,251	4.04%
\$50,000 to \$74,999	11,073	4.69%	13,784,607	8.54%
\$75,000 to \$99,999	5,182	2.19%	10,095,625	6.25%
\$100,000 to \$199,999	6,258	2.65%	21,924,054	13.57%
\$200,000 to \$499,999	2,394	1.01%	22,155,732	13.72%
\$500,000 to \$999,999	567	0.24%	13,625,513	8.44%
\$1,000,000 to \$4,999,999	351	0.15%	24,901,028	15.42%
\$5,000,000 and over	46	0.02%	20,517,671	12.70%
<b>TOTAL</b>	<b>236,092</b>	<b>100.00%</b>	<b>\$161,503,485</b>	<b>100.00%</b>

(1) This summary combines all liability reported on the Arizona Form 140NR and 140PY Individual Income tax returns for tax year 2010, filed from January 2011 forward.

**TABLE 32**  
**CORPORATE INCOME TAX**  
**CORPORATE TAXPAYER BY SIZE OF TAX LIABILITY**  
**TAX YEAR 2010 (1)**

<b>CORPORATE TAX LIABILITY</b>	<b># OF FILERS</b>	<b>% OF TOTAL</b>	<b>LIABILITY</b>	<b>% OF TOTAL</b>
\$50 Minimum	35,368	75.4%	\$1,765,450	0.3%
\$50.01 to \$99.99	962	2.1%	69,714	0.0%
\$100 to \$999.99	4,208	9.0%	1,758,598	0.3%
\$1,000 to \$4,999.99	3,093	6.6%	7,528,184	1.2%
\$5,000 to \$9,999.99	890	1.9%	6,284,347	1.0%
\$10,000 to \$49,999.99	1,330	2.8%	30,315,411	4.8%
\$50,000 to \$99,999.99	352	0.8%	25,075,432	4.0%
\$100,000 to \$499,999.99	477	1.0%	105,154,333	16.6%
\$500,000 to \$999,999.99	94	0.2%	65,922,107	10.4%
\$1,000,000 to \$15,000,000	113	0.2%	390,928,078	61.6%
<b>TOTAL</b>	<b>46,887</b>	<b>100.0%</b>	<b>\$634,801,654</b>	<b>100.0%</b>

**CORPORATE INCOME TAX CREDITS**  
**TAX YEAR 2010**

<b>CREDIT TYPE</b>	<b># OF FILERS</b>	<b>CREDIT USED</b>	<b>CARRYFORWARD AVAILABLE</b>
Agricultural Pollution Control Equipment	0	\$0	\$0
Clean Elections	260	\$2,842	\$0
Commercial & Industrial Solar Energy	13	\$129,528	\$115,251
Contributions to School Tuition Organizations	66	\$8,471,772	\$3,200,062
Contributions to School Tuition Organizations for Disabled/Displaced Students	*	*	*
Defense Contracting	0	\$0	\$0
Employing National Guard Members	8	\$17,900	\$0
Employment of TANF Recipients	7	\$61,289	\$59,244
Enterprise Zone	88	\$6,229,916	\$5,254,273
Environmental Technology	3	\$685,266	\$42,720,022
Healthy Forest Enterprises	0	\$0	\$0
Military Reuse Zone	3	\$1,600	\$70,020
Motion Picture Production/Infrastructure	11	\$8,579,472	\$821,303
Pollution Control Equipment	19	\$2,617,517	\$4,161,206
Renewable Energy Industry	0	\$0	\$0
Research & Development	287	\$58,964,328	\$910,591,839
Research & Development - Refundable	37	\$4,015,985	\$0
School Site Donation	*	*	*
Solar Hot Water Heater Plumbing Stub-Outs	0	\$0	\$0
Taxes Paid on Coal Used in Electric Generation	4	\$2,182,237	\$4,777,067
Water Conservation	0	\$0	\$0
<b>TOTAL (2)</b>	<b>773</b>	<b>\$92,169,802</b>	<b>\$971,856,479</b>

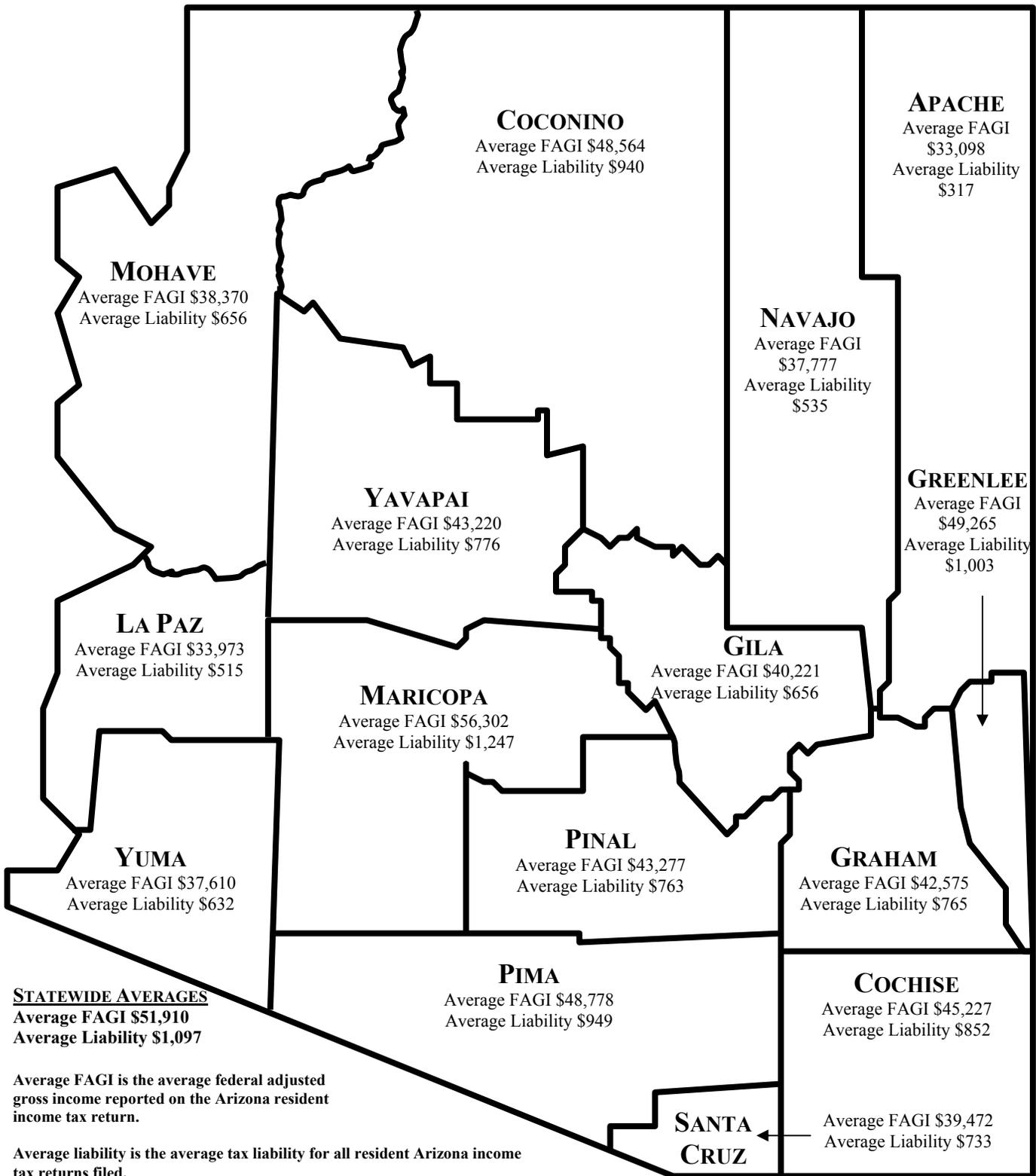
(1) This summary combines all liability on the Arizona Form 120 Corporate Income Tax returns for tax year 2010 filed from January 2011 forward.

(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 2010**



**TABLE 34**  
**URBAN REVENUE SHARING**  
**FISCAL YEAR 2008-09 THROUGH FISCAL YEAR 2012-13**

<b>FISCAL YEAR</b>	<b>AMOUNT</b>
2008-09	\$727,677,400 (1)
2009-10	\$628,644,630
2010-11	\$474,006,520
2011-12	\$424,423,442
2012-13	\$513,584,045

(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 2012-13**

<b>CITIES BY COUNTY</b>	<b>AMOUNT</b>	<b>% OF TOTAL</b>	<b>CITIES BY COUNTY</b>	<b>AMOUNT</b>	<b>% OF TOTAL</b>
<b>APACHE</b>					
Eagar	\$498,992	0.10%	Queen Creek	\$2,692,719	0.52%
St. Johns	355,475	0.07%	Scottsdale	22,205,411	4.32%
Springerville	200,312	0.04%	Surprise	12,004,109	2.34%
<b>COCHISE</b>			Tempe	16,519,248	3.22%
Benson	521,465	0.10%	Tolleson	668,558	0.13%
Bisbee	569,474	0.11%	Wickenburg	649,967	0.13%
Douglas	1,775,125	0.35%	Youngtown	628,822	0.12%
Huachuca City	189,280	0.04%	<b>MOHAVE</b>		
Sierra Vista	4,483,065	0.87%	Bullhead City	4,038,926	0.79%
Tombstone*	153,222	0.03%	Colorado City	492,455	0.10%
Willcox	383,769	0.07%	Kingman	2,867,086	0.56%
<b>COCONINO</b>			Lake Havasu City	5,365,520	1.04%
Flagstaff	6,728,479	1.31%	<b>NAVAJO</b>		
Fredonia*	153,222	0.03%	Holbrook	516,153	0.10%
Page	740,265	0.14%	Pinetop-Lakeside	437,397	0.09%
Tusayan*	153,222	0.03%	Show Low	1,088,896	0.21%
Williams	308,793	0.06%	Snowflake	571,006	0.11%
<b>GILA</b>			Taylor	420,032	0.08%
Globe	769,378	0.15%	Winslow	986,238	0.19%
Hayden*	153,222	0.03%	<b>PIMA</b>		
Miami	125,103	0.02%	Marana	3,571,191	0.70%
Payson	1,562,964	0.30%	Oro Valley	4,189,186	0.82%
Star Valley	235,962	0.05%	Sahuarita	2,580,153	0.50%
Winkelman*	153,222	0.03%	South Tucson	577,340	0.11%
<b>GRAHAM</b>			Tucson	53,128,732	10.34%
Pima	243,827	0.05%	<b>PINAL</b>		
Safford	977,146	0.19%	Apache Junction	3,660,979	0.71%
Thatcher	496,949	0.10%	Casa Grande	4,961,423	0.97%
<b>GREENLEE</b>			Coolidge	1,207,898	0.24%
Clifton	338,212	0.07%	Eloy	1,698,821	0.33%
Duncan*	153,222	0.03%	Florence	2,608,448	0.51%
<b>LA PAZ</b>			Kearny	199,188	0.04%
Parker	314,922	0.06%	Mammoth*	153,222	0.03%
Quartzsite	375,598	0.07%	Maricopa	4,441,593	0.86%
<b>MARICOPA</b>			Superior	289,793	0.06%
Avondale	7,787,548	1.52%	<b>SANTA CRUZ</b>		
Buckeye	5,196,874	1.01%	Nogales	2,128,455	0.41%
Carefree	343,523	0.07%	Patagonia*	153,222	0.03%
Cave Creek	512,271	0.10%	<b>YAVAPAI</b>		
Chandler	24,119,457	4.70%	Camp Verde	1,110,654	0.22%
El Mirage	3,247,995	0.63%	Chino Valley	1,104,933	0.22%
Fountain Hills	2,297,203	0.45%	Clarkdale	418,500	0.08%
Gila Bend	196,328	0.04%	Cottonwood	1,150,696	0.22%
Gilbert	21,293,026	4.15%	Dewey-Humboldt	397,764	0.08%
Glendale	23,159,063	4.51%	Jerome*	153,222	0.03%
Goodyear	6,667,701	1.30%	Prescott	4,069,877	0.79%
Guadalupe	564,163	0.11%	Prescott Valley	3,965,584	0.77%
Litchfield Park	559,362	0.11%	Sedona	1,024,645	0.20%
Mesa	44,847,095	8.73%	<b>YUMA</b>		
Paradise Valley	1,309,535	0.25%	San Luis	2,605,281	0.51%
Peoria	15,737,409	3.06%	Somerton	1,459,386	0.28%
Phoenix	147,668,202	28.75%	Wellton	294,390	0.06%
			Yuma	9,506,288	1.85%
			<b>TOTAL</b>	<b>\$513,584,045</b>	<b>100.00%</b>

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	19.5%
1.3-1.7, 1.11	Utilities	19.5%
1.12	Commercial Real	19.5%
1.13	Commercial Personal	First \$133,868 exempt; 19.5% on the remainder
2R	Agricultural Real; Vacant Land	16%
2P	Agricultural Personal	First \$133,868 exempt; 16% on the remainder
3	Primary Residence	10%
4.1	Non-Primary Residence	10%
4.2	Rental Residential	10%
5	Railroads, Airlines	15%
6	Historic Property; Foreign Trade Zones; Qualified Environmental Technology Facilities	5%
7	Commercial Historic	Combination 1% and 19.5%
8	Rental Residential Historic	Combination 1% and 10%
9	Improvements on government property	1%

## INDUSTRIES VALUED BY THE DEPARTMENT

Industry	Number of Companies		
	2011	2012	2013
Airlines (Flight Property).....	28	28	29
Electric & Gas*			
Generation .....	38	53	71
Transmission and Distribution.....	29	32	36
Mines (non-producing) .....	1	1	0
Mines (producing).....	35	30	35
Pipelines (Gas Transmission) .....	8	8	8
Private Rail Cars .....	284	289	278
Producing Oil & Gas Interests .....	3	3	2
Railroads .....	11	11	12
Telecommunications .....	65	63	62
Water Utilities.....	327	316	311
<b>Total .....</b>	<b>829</b>	<b>834</b>	<b>844</b>

\* Includes Salt River Project

**TABLE 36  
STATE OF ARIZONA  
2013 PRIMARY PROPERTY TAX LEVIES**

<b>TAX AUTHORITY</b>	<b>NET ASSESSED VALUATION</b>	<b>STATE</b>	<b>COUNTY</b>	<b>CITIES and TOWNS</b>	<b>COMMUNITY COLLEGES</b>	<b>SCHOOLS</b>	<b>ALL OTHER</b>	<b>TOTAL</b>	<b>PRIMARY RATE</b>
APACHE	\$525,723,278	\$2,693,280	\$2,414,647	\$0	\$0	\$9,424,926	\$0	\$14,532,853	\$3
COCHISE	\$1,006,475,403	\$5,183,314	\$26,446,148	\$2,360,230	\$18,627,847	\$43,096,250	\$0	\$95,713,789	\$10
COCONINO	\$1,519,086,333	\$9,443,949	\$8,303,326	\$6,118,013	\$7,042,484	\$56,919,248	\$0	\$87,827,021	\$6
GILA	\$438,624,843	\$2,247,075	\$18,378,381	\$1,885,803	\$3,814,282	\$19,377,138	\$0	\$45,702,679	\$10
GRAHAM	\$192,240,653	\$984,849	\$4,558,218	\$241,614	\$5,267,586	\$8,591,376	\$0	\$19,643,643	\$10
GREENLEE	\$335,715,128	\$1,785,707	\$2,467,506	\$273,142	\$0	\$7,539,842	\$0	\$12,066,196	\$4
LA PAZ	\$216,835,366	\$1,110,848	\$4,251,708	\$0	\$4,086,696	\$5,404,328	\$0	\$14,853,580	\$7
MARICOPA	\$31,996,204,979	\$178,373,045	\$410,044,984	\$228,440,179	\$412,623,059	\$1,387,193,981	\$0	\$2,616,675,248	\$8
MOHAVE	\$1,771,371,872	\$9,074,738	\$32,231,883	\$4,178,240	\$20,413,289	\$72,650,529	\$0	\$138,548,680	\$8
NAVAJO	\$903,351,854	\$5,399,931	\$6,318,946	\$394,572	\$13,341,604	\$31,978,568	\$0	\$57,433,621	\$6
PIMA	\$7,559,129,097	\$39,310,735	\$277,226,982	\$16,388,179	\$96,348,659	\$360,616,228	\$0	\$789,890,784	\$10
PINAL	\$1,988,882,373	\$10,192,203	\$75,666,420	\$16,689,980	\$37,625,677	\$88,221,308	\$0	\$228,395,587	\$11
SANTA CRUZ	\$338,356,662	\$1,737,595	\$11,576,873	\$0	\$1,421,098	\$16,782,977	\$0	\$31,518,543	\$9
YAVAPAI	\$2,232,629,599	\$15,173,455	\$43,107,612	\$2,007,428	\$40,725,397	\$79,444,410	\$0	\$180,458,301	\$8
YUMA	\$1,112,115,440	\$5,697,367	\$22,952,064	\$10,009,586	\$20,960,040	\$49,436,282	\$0	\$109,055,339	\$10
<b>TOTAL STATE</b>	<b>\$52,136,742,880</b>	<b>\$288,408,092</b>	<b>\$945,945,698</b>	<b>\$288,986,965</b>	<b>\$682,297,718</b>	<b>\$2,236,677,392</b>	<b>\$0</b>	<b>\$4,442,315,864</b>	<b>8.52</b>
<b>AVERAGE STATE PRIMARY TAX RATE PER \$100</b>									<b>8.52</b>

**2012 PRIMARY PROPERTY TAX LEVIES**

<b>TAX AUTHORITY</b>	<b>NET ASSESSED VALUATION</b>	<b>STATE</b>	<b>COUNTY</b>	<b>CITIES and TOWNS</b>	<b>COMMUNITY COLLEGES</b>	<b>SCHOOLS</b>	<b>ALL OTHER</b>	<b>TOTAL</b>	<b>PRIMARY RATE</b>
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
<b>TOTAL STATE</b>	<b>\$55,855,088,365</b>	<b>\$279,280,130</b>	<b>\$963,312,951</b>	<b>\$271,525,309</b>	<b>\$654,237,852</b>	<b>\$2,236,090,696</b>	<b>\$0</b>	<b>\$4,404,446,938</b>	<b>7.89</b>
<b>AVERAGE STATE PRIMARY TAX RATE PER \$100</b>									<b>7.89</b>

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

**TABLE 37  
STATE OF ARIZONA  
2013 SECONDARY PROPERTY TAX LEVIES**

TAX AUTHORITY	NET ASSESSED VALUATION	STATE	COUNTY	CITIES and TOWNS	COMMUNITY COLLEGES	SCHOOLS	ALL OTHER	TOTAL	SECONDARY RATE
APACHE	\$531,638,110	\$0	\$4,247,257	\$0	\$2,116,983	\$2,521,195	\$5,523,293	\$14,408,728	\$3
COCHISE	\$1,011,138,917	\$0	\$4,629,166	\$179,611	\$0	\$4,886,682	\$9,075,046	\$18,770,504	\$2
COCONINO	\$1,533,065,282	\$0	\$11,753,574	\$5,530,453	\$1,905,340	\$16,631,147	\$15,741,813	\$51,562,327	\$3
GILA	\$440,187,536	\$0	\$1,320,563	\$0	\$0	\$5,306,985	\$6,932,478	\$13,560,026	\$3
GRAHAM	\$194,024,943	\$0	\$292,424	\$0	\$0	\$2,683,080	\$552,457	\$3,527,960	\$2
GREENLEE	\$336,148,250	\$0	\$796,984	\$0	\$0	\$1,586,882	\$37,324	\$2,421,190	\$1
LA PAZ	\$224,552,041	\$0	\$224,552	\$0	\$758,761	\$1,515,214	\$4,474,245	\$6,972,772	\$3
MARICOPA	\$32,229,006,810	\$0	\$57,859,000	\$202,263,121	\$78,767,693	\$850,450,417	\$189,163,901	\$1,378,504,131	\$4
MOHAVE	\$1,809,668,423	\$0	\$17,992,149	\$0	\$0	\$16,021,211	\$21,214,817	\$55,228,177	\$3
NAVAJO	\$904,776,433	\$0	\$5,403,608	\$0	\$0	\$12,646,421	\$14,497,153	\$32,547,182	\$4
PIMA	\$7,623,691,280	\$0	\$109,387,792	\$29,148,173	\$1,425,630	\$120,541,156	\$79,718,089	\$340,220,841	\$4
PINAL	\$2,005,343,534	\$0	\$6,162,892	\$5,612,505	\$7,197,178	\$38,242,035	\$27,811,746	\$85,026,356	\$4
SANTA CRUZ	\$339,878,006	\$0	\$2,473,562	\$0	\$0	\$3,221,295	\$6,314,246	\$12,009,103	\$4
YAVAPAI	\$2,279,676,521	\$0	\$9,771,398	\$189,071	\$5,076,840	\$16,191,707	\$37,290,488	\$68,519,503	\$3
YUMA	\$1,131,581,406	\$0	\$12,211,163	\$0	\$3,823,614	\$13,290,437	\$863,032	\$30,188,246	\$3
<b>TOTAL STATE</b>	<b>\$52,594,377,492</b>	<b>\$0</b>	<b>\$244,526,081</b>	<b>\$242,922,934</b>	<b>\$101,072,038</b>	<b>\$1,105,735,865</b>	<b>\$419,210,129</b>	<b>\$2,113,467,047</b>	<b>4.02</b>
<b>AVERAGE STATE SECONDARY TAX RATE PER \$100</b>				<b>4.02</b>					

**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
<b>TOTAL STATE</b>	<b>\$56,271,814,583</b>	<b>\$0</b>	<b>\$273,985,392</b>	<b>\$265,140,084</b>	<b>\$98,318,491</b>	<b>\$1,137,217,359</b>	<b>\$400,377,774</b>	<b>\$2,175,039,100</b>	<b>3.87</b>
<b>AVERAGE STATE SECONDARY TAX RATE PER \$100</b>				<b>3.87</b>					

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  
2010 THROUGH 2013**

	2010		2011	
	PRIMARY	SECONDARY	PRIMARY	SECONDARY
School Districts	\$3.17	\$1.69	\$3.63	\$1.88
Counties	1.51	0.42	1.70	0.48
State	0.39	0.00	0.46	0.00
Cities and Towns	0.38	0.50	0.44	0.48
Community Colleges	0.87	0.15	1.05	0.16
Special Districts	0.00	0.59	0.00	0.67
	<b>\$6.32</b>	<b>\$3.35</b>	<b>\$7.28</b>	<b>\$3.67</b>
<b>TOTAL</b>	<b>\$9.67</b>		<b>\$10.94</b>	
	2012		2013	
	PRIMARY	SECONDARY	PRIMARY	SECONDARY
School Districts	\$4.00	\$2.02	\$4.29	\$2.10
Counties	1.72	0.49	1.81	0.46
State	0.50	0.00	0.55	0.00
Cities and Towns	0.49	0.47	0.55	0.46
Community Colleges	1.17	0.17	1.31	0.19
Special Districts	0.00	0.71	0.00	0.80
	<b>\$7.89</b>	<b>\$3.87</b>	<b>\$8.52</b>	<b>\$4.02</b>
<b>TOTAL</b>	<b>\$11.75</b>		<b>\$12.54</b>	

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 2008-09 THROUGH FISCAL YEAR 2012-13**

	<b>Fiscal Year</b>					<b>Amount</b>
	2008-09					\$531,588
	2009-10					\$520,655
	2010-11					\$504,905
	2011-12					\$508,145
	2012-13					\$519,998

	<b>BINGO COLLECTIONS</b>				
	<b>FY2008-09</b>	<b>FY2009-10</b>	<b>FY2010-11</b>	<b>FY2011-12</b>	<b>FY2012-13</b>
Licenses	\$19,735	\$19,718	\$27,576	\$18,164	\$18,175
Proceeds	510,177	499,206	476,482	486,056	497,493
Penalty, Interest and Miscellaneous	1,676	1,731	847	3,926	4,331
<b>TOTAL</b>	<b>\$531,588</b>	<b>\$520,655</b>	<b>\$504,905</b>	<b>\$508,145</b>	<b>\$519,998</b>

## 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 continued 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 2008-09 THROUGH FISCAL YEAR 2012-13**

<b>Fiscal Year</b>	<b>Collections</b>	<b>Refunds</b>	<b>Net</b>
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
2012-13	\$0	\$0	\$0

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 2013 fiscal year, over \$383 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, \$19.0 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 \$125.8 million due to the passage of Proposition 203 in 2006. The remaining \$56.2 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

#### **Spirituous Liquors**

per gallon	\$ 3.00
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<b>Vinous Liquors</b> more than 24% alcohol (per gallon)	\$ 4.00
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<b>Vinous Liquors</b> less than 24% alcohol (per gallon)	\$ 0.84
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#### **Malt Liquor (Beer)**

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

**TABLE 41**  
**LUXURY TAX COLLECTIONS**  
**FISCAL YEAR 2008-09 THROUGH FISCAL YEAR 2012-13**

SOURCE:	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13	PERCENT OF COLLECTIONS IN FY2012-13
Spirituos Liquor	\$28,341,033	\$29,304,713	\$28,202,704	\$31,847,105	\$32,184,954	8.4%
Vinous Liquor	13,006,125	13,881,407	13,596,155	15,430,577	15,155,547	3.9%
Malt Liquor	22,831,547	22,232,715	21,566,369	21,101,489	21,343,360	5.6%
<b>Liquor Collections</b>	<b>\$64,178,705</b>	<b>\$65,418,835</b>	<b>\$63,365,229</b>	<b>\$68,379,171</b>	<b>\$68,683,862</b>	
Tobacco - All Types						
Gross Revenue	\$380,593,991	\$340,839,935	\$340,754,224	\$337,777,289	\$331,347,184	
Refunds	(6,251,626)	(6,635,450)	(12,281,284)	(17,978,338)	(15,583,872)	
Licenses	7,075	7,900	7,710	7,925	7,825	
Administrative Expenses	(646,800)	(662,742)	(673,071)	(677,280)	(676,090)	
<b>Net Tobacco Collections</b>	<b>\$373,702,640</b>	<b>\$333,549,643</b>	<b>\$327,807,579</b>	<b>\$319,129,597</b>	<b>\$315,095,046</b>	<b>82.1%</b>
<b>TOTAL COLLECTIONS</b>	<b>\$437,881,344</b>	<b>\$398,968,478</b>	<b>\$391,172,807</b>	<b>\$387,508,768</b>	<b>\$383,778,908</b>	<b>100.0%</b>
<b>DISTRIBUTIONS:</b>						
State General Fund	\$57,878,187	\$55,352,260	\$53,599,408	\$56,357,085	\$56,184,596	
Tobacco Tax & Health Care Fund	73,785,519 (1)	65,051,516	64,799,725	61,879,113	61,958,027	
Tobacco Products Tax Fund	108,934,079 (1)	96,335,427	95,586,289	90,953,118	91,044,441	
Drug Treatment & Education Fund	8,434,654	8,551,873	8,303,445	8,805,071	8,822,752	
DOC Revolving Fund	3,358,868	3,407,130	3,307,459	3,512,659	3,520,473	
Department of Corrections Fund	26,861,628	28,587,983	27,130,247	28,518,897	28,468,675	
DOC Transfer from Prop 200 Funds	1,855,867	637,075	1,322,335	1,259,100	1,259,414	
Prop 200 Transfer from Prop 303 Funds	2,539,738	4,037,828	3,982,185	3,789,120	3,792,927	
Smoke Free AZ	2,868,990	3,888,483	3,058,479	3,043,448	2,956,134	
Early Childhood Development and Health Fund	151,363,815	133,118,902	130,083,235	129,391,158	125,771,470	
<b>TOTAL DISTRIBUTIONS</b>	<b>\$437,881,344</b>	<b>\$398,968,478</b>	<b>\$391,172,807</b>	<b>\$387,508,768</b>	<b>\$383,778,908</b>	

(1) 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 were 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 2008-09 THROUGH FISCAL YEAR 2012-13**

<b>SOURCE:</b>	<b>FY2008-09</b>	<b>FY2009-10</b>	<b>FY2010-11</b>	<b>FY2011-12</b>	<b>FY2012-13</b>
<b>UNCLAIMED PROPERTY</b>	\$74,337,392	\$161,637,025	\$121,263,602	\$115,160,041	\$131,397,401
Refunds	(22,267,197)	(24,207,862)	(34,677,629)	(40,049,513)	(40,013,520)
Expenses	(2,099,913)	----- (2)	-----	-----	-----
<b>NET</b>	<b>\$49,970,281</b>	<b>\$137,429,163</b>	<b>\$86,585,973</b>	<b>\$75,110,528</b>	<b>\$91,383,881</b>
<b>ESCHEATED ESTATES</b>	643,679	320,538	370,786	186,322	327,961
Refunds	(466,307)	(94,959)	(230,340)	(158,988)	(302,974)
<b>NET</b>	<b>\$177,373</b>	<b>\$225,579</b>	<b>\$140,446</b>	<b>\$27,334</b>	<b>\$24,987</b>
<b>TOTAL NET REVENUE</b>	<b>\$50,147,654</b>	<b>\$137,654,742</b>	<b>\$86,726,419</b>	<b>\$75,137,862</b>	<b>\$91,408,868</b>
<b>DISTRIBUTIONS:</b>					
General Fund	9,526,605	100,034,835	49,120,855	45,819,445	60,899,609
Housing Fund	28,554,062	10,500,000 (2)	10,500,000	2,500,000 (4)	2,500,000
SMI Housing Fund (4)	-----	-----	-----	2,000,000	2,000,000
Racing Fund	10,383,295	----- (2)	-----	-----	-----
Victim Restitution Fund	144,618	739,422	1,143,835	100,540	612,703
Operating transfers	1,352,600	1,634,300	1,262,200	-----	514,700
Admin Fund (2)	-----	24,500,000	24,500,000	24,500,000	24,500,000
<b>Net to Permanent State School Fund:</b>					
Escheated Estates	177,373 (3)	225,579	140,446	27,334	24,987 (1)
Unclaimed Shares/dividends	6,719	19,914	58,381	184,618	332,985
Storage Facility	2,383	692	701	5,925	23,884
<b>TOTAL DISTRIBUTION</b>	<b>\$50,147,654</b>	<b>\$137,654,742</b>	<b>\$86,726,419</b>	<b>\$75,137,862</b>	<b>\$91,408,868</b>

(1) FY 13 Escheated Estates will be transferred in FY 14.

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

(3) 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.

(4) 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 2013, the department collected \$8,732,325 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 2008-09 THROUGH FISCAL YEAR 2012-13**

	<b>FY2008-09</b>	<b>FY2009-10</b>	<b>FY2010-11</b>	<b>FY2011-12</b>	<b>FY2012-13</b>
<b>Apache</b>	\$95,378	\$97,963	\$103,880	\$110,216	\$113,633
<b>Cochise</b>	199,557	204,708	215,256	225,450	227,680
<b>Coconino</b>	187,696	191,303	200,347	211,898	218,206
<b>Gila</b>	103,035	105,054	110,165	115,502	118,562
<b>Graham</b>	46,443	47,450	48,835	51,514	53,295
<b>Greenlee</b>	15,263	15,395	15,231	16,315	16,991
<b>La Paz</b>	44,034	45,573	49,117	52,807	54,978
<b>Maricopa</b>	4,319,137	4,296,301	4,357,598	4,531,883	4,645,996
<b>Mohave</b>	366,003	370,916	390,315	413,996	425,534
<b>Navajo</b>	157,354	160,731	168,210	176,949	182,631
<b>Pima</b>	1,047,700	1,057,356	1,092,320	1,133,099	1,146,478
<b>Pinal</b>	354,234	365,864	393,137	414,977	431,565
<b>Santa Cruz</b>	72,277	73,531	77,565	82,081	84,896
<b>Yavapai</b>	369,189	372,547	387,234	407,032	419,652
<b>Yuma</b>	236,624	243,142	260,715	276,990	286,595
<b>Arizona Department of Environmental Quality</b>	276,153	277,383	285,438	298,160	305,631
<b>Total</b>	<b>\$7,890,076</b>	<b>\$7,925,216</b>	<b>\$8,155,363</b>	<b>\$8,518,868</b>	<b>\$8,732,325</b>

Figures may not add to total due to rounding.



# LEGISLATIVE SUMMARY



# LEGISLATIVE SUMMARY

The following is intended to give a brief summary of the 2013 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](http://www.azleg.gov). Please refer to the particular legislation for more definitive information.

The general effective date for legislation enacted during the First Special Session is September 12, 2013 and First Regular Session is September 13, 2013. 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](http://www.azleg.state.az.us/FinalDisposition.asp) or may be requested from the Secretary of State's Office by calling (602) 542-4086.

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## Income Tax

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### **House Bill 2009, 1<sup>st</sup> Special Session, (Chapter 9)**

Budget; Revenue; FY 2013-2014

See Multiple Tax Types.

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### **House Bill 2531 (Chapter 256)**

Income tax; instant depreciation

Beginning in tax year 2014, taxpayers are no longer required to include amounts greater than \$25,000 for property for which an expense deduction was taken pursuant to Section 179 of the Internal Revenue Code as part of Arizona adjusted gross income.

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### **Senate Bill 1168 (Chapter 65)**

Internal revenue code conformity

Incorporates the federal changes made in 2012 into Arizona's definition of "internal revenue code."

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### **Senate Bill 1179 (Chapter 236)**

Tax incentives; omnibus

See Multiple Tax Types.

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### **Senate Bill 1313 (Chapter 114)**

Tax corrections

See Multiple Tax Types.

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### **Senate Bill 1447 (Chapter 251)**

ADE; school finance revisions

The State Board of Education is required to distribute monies in the Assistance for Education Fund to the Department of Education (ADE) to fund solutions teams for schools with a D or F label. The income tax check-off box for state aid for public schools is renamed to reflect the new distribution of Fund monies.

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## Transaction Privilege Tax/ Use Tax

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### **House Bill 2009, Special Session, (Chapter 9)**

Budget; Revenue; FY 2013-2014

See Multiple Tax Types.

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### **House Bill 2111 (Chapter 255)**

Transaction privilege tax changes

#### ***Prime Contracting Changes***

The prime contracting classification of the transaction privilege tax (TPT) is modified to exempt contracts with a property owner for maintenance, repair, or replacement of existing property. Contracts that are not subject to TPT cannot include modification activities. Each contract or project is independent from other contracts, and a contractor who has non-taxable contracts remains taxable on any contracts that include modification activities. Transactions

involving tangible personal property sold to service contractors on exempt projects are taxable.

The Department is required to issue project-specific exemption certificates that certain contractors can use to purchase tangible personal property without paying tax at retail. To qualify for a project-specific exemption certificate, the contractor may not work directly for the owner of the real property, may only use the exemption certificate for material that will be incorporated into a taxable construction project, may not have a delinquent tax balance and must submit documentation to the Department showing that it meets these conditions.

The prime contracting exemption for pre-construction services is modified so that the terms, conditions, and pricing for the design phase services or professional services need only be separately stated from those for construction phase services in the contract rather than being contained within a separate contract.

The Owner Builder Sales classification is repealed.

#### ***Audits***

Requires DOR and the cities and towns that levy TPT to enter into agreements to provide for unified or coordinated licensing, collection and auditing programs. The agreements must include denial criteria for city and town requests to audit multi-jurisdictional taxpayers.

All TPT audits must be conducted in accordance with the DOR manual and performed by a DOR certified auditor. All state, city and third party auditors must be trained in accordance with DOR policies. In most instances, audits of multi-jurisdiction taxpayers must be conducted by DOR. Cities and towns may audit single-jurisdiction taxpayers and any other taxpayer authorized by DOR. All audits must include all taxing jurisdictions, regardless of who conducts the audit. Audit assessments will be issued to taxpayers by DOR in a single notice and appeals of the audit assessments must be directed to DOR.

#### ***Tax Administration***

The Department is required to provide a coordinated electronic method of collecting state and municipal TPT. Taxpayers who are required to pay municipal TPT to a city or town without a DOR agreement (Non-Program City) may file and pay the tax through a DOR administered online portal. A

taxpayer who does not file and pay required returns and tax liabilities through the portal must instead pay taxes to DOR, provided DOR has developed electronic and non-electronic means to capture data with sufficient specificity to meet taxing jurisdictions' needs.

By January 1, 2015, the Department is required to modify the online portal for the Non-Program Cities in order for taxpayers to pay any and all state, county, or municipality TPT and affiliated excise taxes online. The Department is responsible for administering the online portal and the Non-Program Cities are responsible for the costs.

The expanded online portal must contain a single point for licensing, filing a single tax return, and paying all TPT, consolidate data in a manner compatible with DOR data systems, capture data with sufficient specificity to meet taxing jurisdictions' needs and allow for proper identification of the correct taxing jurisdiction and tax rate.

#### ***Miscellaneous***

The sourcing rules for transactions involving tangible personal property are clarified to specify that gross receipts from retail sales are sourced to the seller's business location if the seller receives the order at a business location in Arizona or to the purchaser's location in Arizona if the seller receives the order at a business location outside of Arizona.

Gross receipts from leasing or renting tangible personal property are sourced to the lessor's business location if the lessor has a business location in Arizona or to the lessee's address if the lessor does not have a business location in Arizona.

The exemption for sales of tangible personal property to a non-resident of Arizona if the property is shipped or delivered to the purchaser outside Arizona for use outside the state is modified to apply only to sales of motor vehicles. The exemption for sales of tangible personal property shipped directly to a destination outside of the United States for use in a foreign country is repealed.

The Department is authorized to adopt emergency rules necessary to administer this legislation.

The effective date for HB 2111 is January 1, 2015.

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### **House Bill 2259 (Chapter 120)**

Orthodontic devices; transaction privilege tax

Retroactive to taxable periods beginning October 1, 2007, exempts orthodontic devices dispensed to a patient by a licensed dental professional from the retail classification of the transaction privilege tax (TPT) and municipal transaction privilege taxes.

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### **House Bill 2267 (Chapter 40)**

Public consignment dealer; requirements

Requires a public consignment auction dealer to submit a valid exemption certificate to the Department of Revenue (DOR) in order to establish entitlement to the TPT deduction for auction sales of motor vehicles to nonresidents for use outside Arizona.

Allows DOR to additionally disclose confidential information to the Department of Transportation for its use in administering statutory-prescribed penalties.

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### **House Bill 2324 (Chapter 27)**

TPT exemption; leases; affiliated companies

Exempts the leasing of real property between "affiliated companies, businesses or persons," from the commercial lease classification of the TPT, which is defined as the lessor owning at least 80 percent interest in the lessee, the lessee owning at least 80 percent interest in the lessor, or an affiliated entity or unrelated person owning at least 80 percent interest in both, or leasing real property by a "reciprocal insurer".

Municipalities and special taxing districts may not levy a transaction privilege or use tax on gross income derived from leasing real property between affiliated companies, businesses or persons, or by a reciprocal insurer.

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### **House Bill 2336 (Chapter 233)**

Taxation; retail classification; cash equivalents

Retroactive to tax period beginning January 1, 1999, exempts the sale of "cash equivalents," from the retail classification of the TPT. Cash

equivalents are defined as items or intangibles through which a value denominated in money is purchased in advance, including gift cards, vouchers, traveler's checks, and money orders or other instruments.

The gross proceeds of sales or gross income derived from the redemption of any cash equivalent as a means of payment for taxable goods or services is subject to TPT.

Taxpayers are permitted to apply for a refund of TPT based on the retroactive application of this statutory change. The total amount of TPT that can be refunded is limited by an aggregate cap of \$10,000 and claims must be submitted by December 31, 2013.

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### **House Bill 2535 (Chapter 153)**

Independent functional utility

Retroactive to tax periods beginning July 1, 1997, the deduction for prime contracting activity under the retail classification of the TPT is modified to provide that the deduction applies to gross receipts from activities on tangible property that is deductible for retail TPT or exempt from use tax and has "independent functional utility".

The previous language provided that the deduction applies to gross receipts from activities on tangible personal property that is either deductible for retail TPT or exempt from use tax and does not become a "permanent attachment" to real property.

Taxpayers are permitted to apply for a refund of TPT based on the retroactive application of this statutory change. The total amount of TPT that can be refunded is limited by an aggregate cap of \$10,000 and claims must be submitted by December 31, 2013.

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### **Senate Bill 1179 (Chapter 236)**

Tax incentives; omnibus

See Multiple Tax Types

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### **Senate Bill 1313 (Chapter 114)**

Tax corrections

See Multiple Tax Types

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## Property Tax

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### House Bill 2344 (Chapter 9)

Property tax penalty waiver

Retroactive to July 1, 2012, allows a county treasurer, in consultation with the board of supervisors, to waive the penalty imposed on an owner of a primary residence for failure to respond to a request for information about classification of residential property for good cause.

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### House Bill 2346 (Chapter 226)

Rural electric cooperatives; valuation

Prescribes the formula to be used by the Department of Revenue to determine the valuation of distribution cooperatives, beginning with the 2014 valuation year. The valuation is the product of a property's value multiplied by the standard market value factor, which is determined by comparing specific standard factors of the investor-owned utilities and the distribution cooperatives.

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### Senate Bill 1179 (Chapter 236)

Tax incentives; omnibus

See Multiple Tax Types

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### Senate Bill 1169 (Chapter 66)

Prop 117; conformity

Makes technical and conforming changes to Arizona Revised Statutes based in the passage of Proposition 117, which amended the Arizona Constitution to set a limit on the annual percentage increase in property values used to determine property taxes to no more than five percent above the previous year, and establishes a single limited property value as the basis for determining all property taxes on real property.

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## Multiple Tax Types/Miscellaneous

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### House Bill 2009, 1<sup>st</sup> Special Session, (Chapter 9)

Budget; Revenue; FY 2013-2014

#### Computer Data Centers

Effective September 1, 2013, owners, operators, and colocation tenants of computer data centers (CDC's) who are certified by the Arizona Commerce Authority (ACA) are eligible for tax relief. To qualify for tax relief, the owner or operator of a CDC must submit a certification form to the ACA, which must include the anticipated investment associated with the CDC, whether it qualifies as a sustainable redevelopment project, and affirmation that the CDC meets investment requirements. The qualification period is 10 calendar years from when the certification form is filed, except that the qualification period may then be up to 20 years for a CDC that qualifies as a sustainable redevelopment project. The ACA may only certify new CDCs until December 31, 2023.

To qualify for tax relief as a new CDC, an owner or operator must notify the ACA whether or not a CDC has created a minimum investment of \$25 Million if located in Maricopa or Pima County or \$50 Million if located in any other county.

To qualify for tax relief as an existing CDC, within 5 years of certification, an owner or operator must notify the ACA whether or not a CDC created a minimum investment of \$250 Million in the 72 months prior to September 1, 2013.

For purposes of the tax relief, computer data center equipment purchased for use in a certified CDC is exempt from the retail and prime contracting classifications of the TPT and use tax.

#### Navajo Technical College

Prescribes a second distribution of TPT revenues received from sources located on the same Indian reservation to a technical college located on the same Indian reservation of 5%, up to \$875,000 in a single Fiscal Year.

#### Qualified Foster Care Organizations (QFCO)

Retroactive to tax year 2013, the tax credit for a voluntary cash contribution to a qualifying charitable organization is modified to allow taxpayers to claim an increased credit for

contributions to a qualifying foster care charitable organization. The amount of the credit is \$400 per single individual or head of household and \$800 for a married couple filing a joint tax return. A qualifying foster care charitable organization is a qualifying charitable organization that each operating year provides services to at least two hundred foster children in Arizona. The charity must spend at least 50% of its budget on services to foster children in this state.

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## **Senate Bill 1179 (Chapter 236)**

Tax incentives; omnibus

### **Ignition Interlock Devices**

Retroactive, to taxable periods beginning September 1, 2004, the leasing or rental of certified ignition interlock devices (IIDs) is exempted from the personal property rental classification of the TPT and municipal excise tax.

Taxpayers are permitted to apply for a refund of TPT based on the retroactive application of this statutory change. The total amount of TPT that can be refunded is limited by an aggregate cap of \$10,000 and claims must be submitted by December 31, 2013.

### **Qualified Destination Management Companies**

Retroactive to taxable periods beginning January 1, 2002, the gross proceeds of sale or gross income derived from a qualified contract for destination management services is exempt from TPT. A Qualified Destination Management Company (QDMC) is specified as the final consumer and user of any taxable tangible personal property, activity, or service that the QDMC arranges pursuant to a qualified contract for destination management services.

A qualified destination management company is defined as a person that receives on an annual basis at least 80% of its gross proceeds of sales or gross income derived from destination management services.

Destination management services is defined as the business of coordinating, designing, and implementing the delivery by a third party at least four or more of the following: transportation, entertainment, food or beverage, recreational or

amusement activity, tours, event venue, theme décor.

In order for a destination management contract to be eligible for the TPT exemption, the QDMC must receive payment from or on behalf of its client for the cost of the destination management services and the QDMC must pay the vendor supplying destination management services, including any applicable TPT or collection of use tax passed on by the vendor to the QDMC.

QDMCs are permitted to apply for a refund of TPT based on the retroactive application of this statutory change. The total amount of TPT that can be refunded is limited by an aggregate cap of \$10,000 and claims must be submitted by December 31, 2013.

### **Tax Exemption for Sales of Food**

Retroactive to taxable periods beginning January 1, 2002, categorizes any ready-to-drink, non-alcoholic beverage contained in any closed or sealed bottle, can, or carton intended for human consumption which is intended for home consumption as tax-exempt food.

Updates Arizona's tax-exempt food statutes by replacing obsolete statutory references to the Food Stamp Program established by the Food Stamp Act of 1977 with the Supplemental Nutrition Assistance Program established by the Food and Nutrition Act of 2008.

For purposes of implementing these provisions, the Department is exempted from the statutory administrative rulemaking requirements.

### **Motor Vehicle Biofuel Manufacturing Facilities**

Real and personal property that is used to manufacture motor vehicle biofuel and its by-products is eligible to be classified as class six property. Motor vehicle biofuel is defined as a solid, liquid or gaseous material intended for use in a motor vehicle, containing fuel additives and derived non-geologically from biological material.

The time period for existing class six property classification for real and personal property and improvements to property biodiesel fuel manufacturing facilities is until December 31, 2023.

### **IRC § 529 College Savings Plans**

Effective January 1, 2013, the amount eligible to be deducted from gross income for contributions to college savings plans pursuant to IRC § 529 is

increased from \$750 to \$2,000 for a single individual or head of household and from \$1,500 to \$4,000 for married couples filing jointly.

### **Qualifying Charitable Organizations**

Taxpayers who claim the standard deduction on Arizona income tax forms are now eligible to claim a tax credit for contributions to a qualifying charitable organization.

### **Corporate Income Tax Apportionment**

Effective January 1, 2014, a taxpayer who is a regionally accredited institution of higher education with at least one university campus in Arizona on which at least 2,000 students reside service may elect, for corporate income tax purposes, to 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.

The election is limited to the treatment of sales for educational services, which is defined as tuition and fees required for enrollment and fees required for courses of instruction, transcripts, and graduation.

### **Preexisting Enterprise Zone Tax Credit**

Retroactive to July 1, 2011, taxpayers who claimed first year tax credits for employees hired in a qualified employment position under the Enterprise Zone statutes are not required to file a certification with the Arizona Commerce Authority in order to be eligible for second and third year tax credits.

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### **Senate Bill 1286 (Chapter 37)**

Nursing facility provider assessments

An emergency measure that, retroactive to September 30, 2012, exempts the Arizona Veterans' Homes from the nursing facility provider assessment statutes.

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### **Senate Bill 1312 (Chapter 222)**

Tobacco product manufacturers; cigarette machines

Prohibits the possession, use or making available for commercial purposes a tobacco product rolling vending machine. Any machine located in a nonresidential premise is presumed to be possessed, used or available for use for commercial purposes unless the machine is for sale.

This does not include machines used exclusively for the owner's personal consumption or use and not located on a retail or other business premises and tobacco product manufacturers that have obtained a current federal manufacturer of tobacco products permit.

The Department of Revenue has the authority to seize unlawful machines and all related tubes, papers, tobacco products and materials, which must be forfeited to the state. All forfeited tobacco products must be destroyed.

It is a class 3 misdemeanor for a knowing violation and prescribes the following penalties: (1) Revocation or termination of a distributor's license to sell or distribute tobacco products. (2) A civil penalty not to exceed \$50,000 for each violation. (3) An injunction to restrain a threatened or actual violation. (4) Recovery by the state of the cost of any investigation related to a violation, the cost of the action related to a violation and reasonable attorney fees.

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### **Senate Bill 1313 (Chapter 114)**

Tax corrections

Makes numerous, technical, clarifying and conforming changes in the tax-related statutes in the Arizona Revised Statutes.