



ARIZONA TRANSACTION PRIVILEGE TAX PROCEDURE TPP 04-1

Janet Napolitano
Governor

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Director

Procedure for Requesting Refunds Under
Laws 2004, Chapter 242
46th Legislature, Second Regular Session

ISSUE:

This procedure provides guidance to claimants requesting a refund of transaction privilege taxes paid that is available under the provisions enacted under House Bill 2086 during the 2004 legislative session which:

1. Amends the general refund statute to:

- Provide a refund to motor vehicle manufacturers who repurchase motor vehicles pursuant to Arizona's "lemon law" statutes or for reasons of consumer satisfaction in the amount of transaction privilege tax refunded to these consumers, if manufacturers can provide "satisfactory proof" that tax amounts attributable to the sale of the original motor vehicle were collected from the consumer and the manufacturer refunded the amount of tax to the consumer. [A.R.S. § 42-1118(F)]
- Specify that the motor vehicle manufacturer must apply for refund within four years after repurchasing the vehicle. [A.R.S. § 42-1118(F)]
- Define "Consumer," "Motor Vehicle Manufacturer," and "Satisfactory Proof." [A.R.S. § 42-1118(F)(1), (2) and (3)] **Effective for tax periods beginning from and after August 25, 2004.**

2. Amends the "lemon law" statutes to:

- Provide the amount of refund the manufacturer must remit to the consumer should the manufacturer: (1) accept the motor vehicle without replacing it; (2) replace the motor vehicle with a new vehicle of lesser value; or (3) replace the motor vehicle with a new vehicle of greater value. [A.R.S. § 44-1263(C)]
- Allow a motor vehicle manufacturer to apply for a refund with the Department of Revenue in the amount of transaction privilege tax properly refunded to the consumer. [A.R.S. § 44-1263(D)] **Effective for tax periods beginning from and after August 25, 2004.**

APPLICABLE LAW:

General

Arizona Revised Statutes (A.R.S.) § 42-1118 provides for the issuance of a credit or refund when any amount of tax, penalty or interest has been paid in excess of the amount actually

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due. The statute enumerates the different forms in which a refund may be issued. In addition, the statute specifically delineates what information is to be included in a refund request.

A.R.S. § 42-1119 provides that if the department disallows any claim for refund it shall notify the claimant of the denial. The department's action on the claim is final unless the claimant appeals to the department in writing within the time and in the manner prescribed by statute.

Specific

Laws 2004, 2nd Reg. Session, Chapter 242 provides for the application of the amendments made to A.R.S. §§ 42-1118(F) and 44-1263(C) and (D). Section 1 amends A.R.S. § 42-1118(F) to allow motor vehicle manufacturers who repurchase motor vehicles under A.R.S. § 44-1263 or for reasons of consumer satisfaction to apply for refunds of taxes paid by the consumer on the original purchase of the motor vehicle provided that it presents "satisfactory proof" that such taxes were paid by the consumer and refunded to them by the manufacturer.

PROCEDURE:

In general, a claim for refund must be in writing and must identify the claimant by name, address and tax identification number. In addition, each claim shall include the specific tax periods involved, the amount of refund requested for each period, the specific grounds on which the claim is founded, and for purposes of this refund procedure, documents evidencing "satisfactory proof" that the tax imposed on the original sale has been collected from the consumer and subsequently refunded by the manufacturer to the consumer (this requirement is described in more detail below).

Claims for refund under A.R.S. § 42-1118(F) are only available for repurchases made after August 25, 2004. Claims for refund are subject to the provisions of **A.R.S. § 42-1104, Statutes of limitation; exceptions**. Therefore, claims for refund may only include tax periods covered on returns filed or required to be filed, whichever period expires later, within four years prior to the claim for refund, or within any extended period authorized by A.R.S. § 42-1104.

The claimant should submit a written request to the Transaction Privilege and Use Tax Refund Section. The Refund Section will review the request and contact the claimant with further instructions if necessary.

Documents Evidencing Transaction Privilege Taxes Paid by and Refunded to the Consumer

The transaction privilege tax is a tax imposed on the privilege of conducting business in the State of Arizona. The tax is levied on the vendor, not the purchaser. The vendor may pass

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the burden of the tax on to the purchaser; however, the vendor is ultimately liable to Arizona for the tax.

Typically, only the vendor may request a refund of tax. However, the enactment of House Bill 2086 allows motor vehicle manufacturers to apply for refunds if they fit within the parameters of the statute, which requires certain documentation to be provided. Any refund provided under this statute is in lieu of any refund on the vehicle that the dealer may otherwise be entitled to receive. [A.R.S. § 42-1118(F)]

The motor vehicle manufacturer shall submit originals or copies of the following documents evidencing "satisfactory proof" with the application for a refund of transaction privilege tax paid:

1. Purchase or lease agreements and all documents, including checks and invoices, that evidence the purchase from the dealership of the original motor vehicle qualifying for a refund under A.R.S. § 41-1118(F) and that an amount representing the transaction privilege tax was passed on to and paid by the consumer on the transaction;
2. Purchase or lease agreements and all documents, including checks and invoices, that evidence the manufacturer repurchased the original motor vehicle qualifying for a refund under A.R.S. § 42-1118(F) and that some or all of the amount representing the transaction privilege tax that was passed on to the consumer was refunded to the consumer;

Purchase or lease agreements and documents that evidence the initial purchase or lease of the motor vehicle shall include the following when applicable:

1. The name of each vendor,
2. The Arizona Transaction Privilege Tax license number of each vendor,
3. The complete address of each vendor,
4. The vehicle identification number for the original motor vehicle purchased or leased,
5. The name(s) of the consumer(s),
6. Date(s) of the purchase or lease of the original motor vehicle,
7. A general description of the motor vehicle purchased or leased,

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8. City where motor vehicle was purchased or leased,
9. Price of motor vehicle before tax, and
10. The total amount of transaction privilege tax paid on the purchase or lease of the original motor vehicle.

Purchase or lease agreements and documents that evidence the repurchase of the motor vehicle by the manufacturer shall include the following when applicable:

1. The name of each manufacturer,
2. The Arizona Transaction Privilege Tax license number of the manufacturer who repurchased the vehicle,
3. The complete address of the manufacturer,
4. The vehicle identification number for the replacement motor vehicle,
5. The name(s) of the consumer(s),
6. Date(s) of the repurchase of the original motor vehicle,
7. A general description of the replacement motor vehicle,
8. City where motor vehicle exchanged,
9. Price of replacement motor vehicle before tax, and
10. The total amount of transaction privilege tax refunded or paid on the transaction.

Checks, invoices and other such documents shall include the following when applicable:

1. Purchase order numbers or vendor's invoice numbers, including dates,
2. Name of financial institution and number of check which was used to purchase or lease the motor vehicle,
3. Credit card number used to purchase or lease motor vehicle,
4. The vehicle identification number for the original motor vehicle purchase,
5. The vehicle identification number for any replacement motor vehicle,

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6. The name(s) of the consumer(s),
7. The total amount of transaction privilege tax paid on the purchase of the original motor vehicle and any replacement vehicle if of greater value,
8. The total amount of transaction privilege tax refunded by manufacturer,
9. Date(s) of the purchase of the original motor vehicle, and
10. Date(s) of the repurchase of the original motor vehicle by the manufacturer.

Copies of checks, invoices, and purchase or lease agreements should accompany the application. If any of the above documents do not include all the information requested, supplemental documentation may be created to provide such information.

Under A.R.S. § 42-1108(A), if the department is not satisfied with a return, the department may examine the return, including any books, papers, records or memoranda relating to the return. All information relating to a refund is subject to verification by the department.

Send requests for refunds under the retroactive provisions enacted by House Bill 2086 to the address below.

Refund Section
Transaction Privilege & Use Tax Audit
HB 2086
Arizona Department of Revenue
1600 W. Monroe
Phoenix, Arizona 85007

Gale Garriott, Deputy Director,
for J Elliott Hibbs, Director

Signed: August 24, 2004

Explanatory Notice

The purpose of a tax procedure is to provide procedural guidance to the general public and to department personnel. A tax procedure is a written statement issued by the department to assist in the implementation of tax laws, administrative rules, and tax rulings by delineating procedures to be followed in order to achieve compliance with the law. Relevant statute, case law, or administrative rules, as well as a subsequent procedure, may modify or negate

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any or all of the provisions of any tax procedure. See GTP 96-1 for more detailed information regarding documents issued by the Department of Revenue.