

The seal of the State of Arizona is a large, faint watermark in the background. It is circular with the text "SEAL OF THE STATE OF ARIZONA" around the top and "1912" at the bottom, flanked by two stars. In the center is a shield depicting a landscape with a mountain, a river, and a sun rising over hills.

# **2019 Legislative Summaries**

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**State of Arizona  
Department  
of Revenue**

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This document contains summaries of 2019 legislation from the Fifty Fourth Legislature – First Regular Session.

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# 2019 Legislative Summaries

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The following is intended to give a brief summary of the major 2019 tax-related legislation impacting the Arizona Department of Revenue (ADOR) and not intended to discuss specifics of any particular enactment. Detailed summaries and the chaptered versions 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 Regular Session is August 27, 2019. All legislation will have this effective date unless otherwise noted in the summary.

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## Income Tax

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### **HB 2042 (Chapter 48)** **income tax; statute of limitations**

Allows the department to assess a tax, via mail or electronically, within seven years after the date a report or return is required to be filed, if a taxpayer fails to file a report or return for income tax or withholding tax. The legislation also clarifies that an assessment can be issued in the case of failure to file for any tax other than income and withholding and failure to file an income or withholding return with intent to evade tax.

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### **HB 2367 (Chapter 169)** **limited audit review; electronic portal**

Allows the department to perform limited scope reviews of individual income tax returns in cases where the information reported by a taxpayer is different than information received from withholding returns. Also, the legislation allows the department to electronically deliver deficiency assessments if the taxpayer consents in writing.

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### **HB 2425 (Chapter 164)** **school tax credit; contributions**

Expands the tax credit for public school fees and contributions to include taxpayer contributions

towards capital items, community school meal programs and student consumable health care supplies.

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### **SB 1027 (Chapter 297)** **tax credit; charitable organizations; eligibility**

Retroactive to January 1, 2019, expands the tax credit for contributions to qualifying organizations that spend at least 50 percent of their budget on services to individuals, rather than children, who have a chronic illness or physical disability and are residents of Arizona. The legislation defines *individuals who have a chronic illness or physical disability* as individual whose primary diagnosis is a severe physical condition that may require ongoing medical or surgical intervention.

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### **SB 1485 (Chapter 281)** **school tuition organization; inflator**

Beginning in FY 2020-2021, increases the aggregate dollar amount of the STO tax credit cap from the previous FY as follows:

FY 2020-2021: 15%

FY 2021-2022: 10%

FY 2022-2023: 5%

FY 2023-2024 and each FY thereafter: The percentage of increase in the metropolitan Phoenix consumer price index or 2%.

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# Transaction Privilege Tax/Use Tax

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## **HB 2027 (Chapter 124) online lodging marketplace; local taxation**

Requires taxes imposed on online lodging marketplaces and online lodging operators to be uniform with all other taxpayers engaging in the same activity.

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## **HB 2275 (Chapter 288) TPT exemptions; propagative materials**

Effective December 1, 2019, adds the following propagative materials as exempt from TPT and use tax: 1.) liners; 2.) transplants; 3.) soil and plant additives; 4.) agricultural minerals; 5.) auxiliary soil and plant substances; 6.) micronutrients; 7.) fertilizers; 8.) insecticides; 9.) herbicides; 10.) fungicides; 11.) soil fumigants; 12.) desiccants; 13.) rodenticides; 14.) adjuvants; 15.) plant nutrients; and 16.) plant growth regulators.

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## **HB 2360 (Chapter 290) TPT; estimated payments; liability threshold**

Increases the annual total tax liability, above which a taxpayer is required to report and pay an estimated tax payment in June, from \$1,000,000 or more in 2019 to \$1,600,000 or more in 2020, \$2,300,000 or more in 2021, \$3,100,000 or more in 2022 and \$4,100,000 or more in 2023 and each year thereafter.

## **HB 2672 (Chapter 240) vacation rentals; short-term rentals; regulation**

Prohibits an online lodging operator from renting out a lodging accommodation without a TPT license and establishes penalties for verified violations relating to vacation or short-term rental uses.

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## **SB 1019 (Chapter 189) TPT; over the top**

Excludes over-the-top services from the telecommunications classification and exempts them from municipal taxation. Additionally, it specifies the sourcing of any taxation in the absence of a delivery address.

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## **SB 1181 (Chapter 236) DOR; collection statement; delivery deadline**

Requires tax revenue data to be delivered to the State Treasurer (Treasurer) and Arizona Department of Administration (ADOA) monthly instead of on the 5th day of each month and clarifies that the data the department produces will be at the state level, not the county level.

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# Property Tax

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## **HB 2095 (Chapter 49) taxation; agricultural property; partial payment**

Allows inactive agricultural land due to partial reduction of the available water supply to be eligible for classification as property used for agricultural purposes.

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**HB 2097 (Chapter 225)**  
**personal property; reporting; exemption**

Specifies that tax exempt personal property is not required to be reported to the county assessor.

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**HB 2493 (Chapter 291)**  
**solar energy devices; appraisal methods**

Establishes that solar energy devices that are characterized as personal property have a 10-year life and prescribes a formula to adjust the depreciation schedule. Requires taxes paid for tax years preceding the effective date in excess of taxes as calculated by the ADOR depreciation table for personal property with a 10-year life and the accelerated depreciation schedule for a device or system to be refunded to the taxpayer.

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**HB 2556 (Chapter 294)**  
**agricultural property; uses; rural activities**

Defines *agritourism* and sets criteria for it to be classified as class two agricultural real property.

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**SB 1182 (Chapter 237)**  
**fire insurance; premium tax proceeds**

Establishes a deadline of June 15 for the department to certify to the Treasurer the full cash value of the real property and improvements for the previous year in each area served by a fire department or fire district.

**SB 1235 (Chapter 249)**  
**possessory improvements; government property; assessment**

Requires that possessory improvements qualify for a limited property value and are valued as real property.

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**SB 1248 (Chapter 306)**  
**property taxes; valuation; property modifications**

Establishes a 15% threshold when applying limited property value (LPV) to modified properties.

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**SB 1300 (Chapter 308)**  
**low-income housing; tax exemption**

Modifies the conditions for qualification for the low-income housing tax exemption.

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## **Multiple Tax Types/Misc.**

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**HB 2281 (Chapter 2281)**  
**liquor omnibus**

Makes various changes to statutes relating to liquor including specifying that the revoking, suspending or refusing to renew a license for unpaid taxes or penalties is a contested case with the department and outlines an appeals process.

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**HB 2373 (Chapter 203)**  
**tax corrections act of 2019**

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

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**HB 2747 (Chapter 263)  
general appropriations act; 2019-2020**

Makes necessary statute and session law changes relating to general appropriations for the FY 2019-2020 budget including the following: a) requires the existing enforcement report to include TPT delinquencies; and b) appropriates \$2 million onetime funding in FY 2019-2020 for Wayfair implementation.

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**HB 2756 (Chapter 272)  
revenue; budget reconciliation; 2019-2020**

Makes necessary statute and session law changes relating to general revenues for the FY 2019-2020 budget including the following: a) requires licensed escrow agents to file an information return for sales of real property in Arizona with the department by March 31 for sales closed during the prior calendar year; b) requires the department, on or before June 30, 2020, to report to JLBC and the OSPB on the estimated amount of capital gains tax paid by nonresidents on real estate transactions from the most recent year before tax year 2019 based on internal revenue service data; c) requires the department, on or before June 30 of each year, to report to JLBC and OSPB on the amount of capital gains tax paid by nonresidents on real estate transactions in the prior tax year based on the information returns prescribed; d) expands the definition of *multistate service provider* used to determine the allocation of the sales of services for corporate income tax purposes to include a taxpayer with more than 2/000 employees in this state and that derives more than 85% of its sales from support services provided to a regionally accredited institution of higher education; and e) continues the Legislature's intent that the total fees collected by ADOR for administrative costs do not exceed \$20,755,835 in any FY and that the fees assessed to each local government be in proportion to the distribution of revenues in the FY two years prior.

**HB 2757 (Chapter 273)  
tax provisions; omnibus**

Beginning October 1, 2019, requires retailers who are remote sellers and marketplace facilitators that do not have a physical presence in Arizona but who make sales into Arizona over certain threshold amounts to begin filing and TPT in Arizona. The legislation also Conforms Arizona's income tax calculation to the changes made to the internal revenue code effective on January 1, 2018 and reforms sections of the income tax code for taxable years beginning from and after December 31, 2018.

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**SB 1024 (Chapter 142)  
Medical marijuana; sales data;  
enforcement**

Authorizes ADOR to disclose confidential information to DHS for determining if a dispensary is in compliance with the tax requirements

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**SB 1180 (Chapter 58)  
department of revenue; applicants;  
fingerprinting**

Allows for ADOR to obtain FBI fingerprint results through DPS for all ADOR applicants that will have access to federal tax information. Also allows ADOR to obtain a consumer report for an applicant for employment for the purpose of hiring personnel whose job duties include the distribution of tax monies and specifies that consumer report information obtained shall not be the sole reason for disqualification of an applicant.

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**SB 1347 (Chapter 65)  
luxury tax; tobacco products**

Makes the following changes to the luxury tax statutes regarding tobacco: a) defines *cavendish* for luxury tax purposes; b) prohibits an applicant for a

tobacco distributor license from having a principal place of business in a residential location or post office box; c) allows luxury-taxed cigar products to be stored in a residential location provided that the product weight of the cigars do not exceed 500 pounds and the licensed distributor provides written consent to the department to inspect stock and records relating to the luxury-taxed products being stored; c) removes suspension of a license as a potential penalty for non-compliant licensees; d) requires a retailer located on an Indian Reservation to be registered and have a registration identification number issued by the Department; e) allows licensed distributors or their representative to use their vehicle to hold or store tobacco products provided that the distributor gives the department written consent and to inspect stock and records relating to the luxury-taxed products being stored in the vehicle.