



City of Maricopa

Legislation Text

File #: IGA 15-06, **Version:** 1

The Mayor and City Council shall discuss and possibly take action to approve an intergovernmental agreement between the City of Maricopa and the Arizona Department of Revenue regarding the uniform administration, licensing, collection, and auditing of transaction privilege tax, use tax, severance tax, jet fuel excise and use tax and rental occupancy taxes imposed by the State or cities or towns. Discussion and Action.

Local Transaction Privilege Tax (TPT) administration is governed by A.R.S. § 42-6001. This statute was recently modified for the purpose of tax simplification with the passage of House Bill 2111 in 2013 and House Bill 2389 in 2014. This statute now requires the Arizona Department of Revenue (DOR) to administer the transaction privilege and use taxes imposed by all cities and towns and to enter into a new intergovernmental agreement (IGA) with each city and town to reflect these changes and clearly define the working relationship between DOR and Arizona cities and towns.

Although tax simplification will have the greatest impact on those cities and towns that are currently self-collecting local taxes, there are also considerable improvements for cities and towns in the State collection program as a result of simplification, particularly in the form of receiving much more detailed taxpayer data.

The IGA covers all aspects of local tax administration. First and foremost, the IGA addresses confidentiality, including the authorized handling of confidential taxpayer information, expectations for the discreet use of taxpayer data to prevent unauthorized disclosure, and the process we will follow in the event of a disclosure. There is also clarified and simplified guidance on the use of aggregated taxpayer data for public reporting and analysis.

The IGA includes clear direction regarding the sharing of general taxpayer license information, legal interpretations and written guidance, rate and fee tables, and any other pertinent tax information that needs to be shared between the cities and towns and DOR.

Importantly, the IGA identifies exactly which license and tax return data fields must be provided by DOR, and identifies in detail a series of new reports DOR will soon provide to all cities, both of which will serve to greatly expand the data available to the city for analysis purposes.

The first changes related to tax simplification that went into effect were new rules dealing with auditing, which DOR and the cities began following in January 2015. The IGA formalizes both the concepts included in statute and the main concepts used in practice by auditors in the field.

Key factors include a commitment to audit for all jurisdictions whenever any audit is being done; the continued authority for any city or town to perform an audit of a taxpayer that is engaged in business only in their town; the general guidance that DOR will lead all multi-jurisdictional audits, coupled with the option for DOR to delegate actual audit performance to a city or town when circumstances indicate it would be the most efficient means of completing the audit.

The IGA also provides guidance for handling voluntary disclosure by taxpayers, closing agreements in lieu of litigation, and sets up the responsibilities and authorities of both parties in terms of code or statute interpretations and legal support for protests.

Most importantly, the new IGA provides for a formal review process using the new "State and Local Uniformity Group" made up of four city and four DOR tax experts who will work together to iron out any problems or conflicts between the cities and the State.

The terms of this IGA run an annual basis from July 1, 2015 through June 30, 2016 and it renews automatically each year. Either party has the right to reopen and renegotiate the terms according to provisions within the agreement.

This item will be presented by Brian A. Ritschel, Finance Director

Staff recommends that the Mayor and City Council approve the intergovernmental agreement between the City of Maricopa and the Arizona Department of Revenue regarding the uniform administration, licensing, collection, and auditing of transaction privilege tax, use tax, severance tax, jet fuel excise and use tax and rental occupancy taxes imposed by the State or cities or towns.