

TPT Simplification Task Force: Final Recommendations

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January 8, 2013

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TPT Simplification Task Force

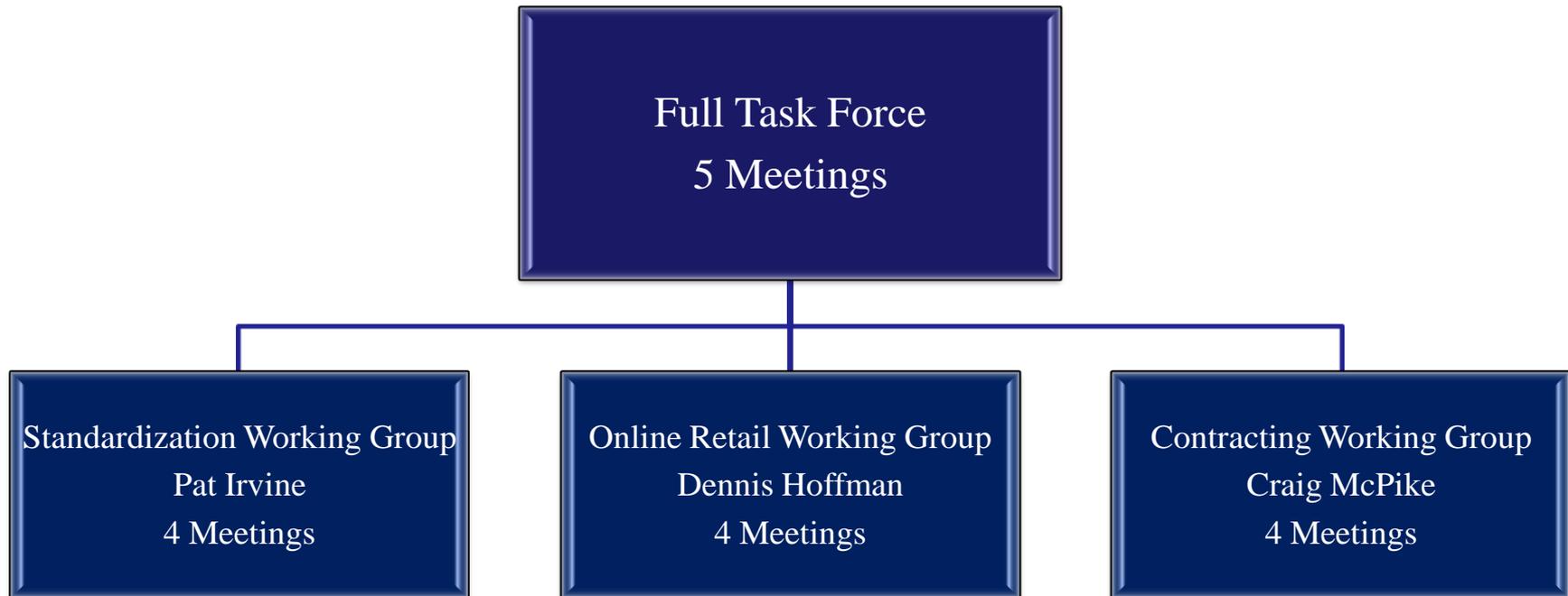


- **On May 11, 2012 Governor Brewer issued Executive Order 2012-01 which established the TPT Simplification Task Force.**
- **Task Force charged with identifying reforms that will:**
 - **Simplify Arizona's TPT**
 - **Reduce taxpayer frustration**
 - **Improve compliance**
- **Nine voting members representing municipalities, businesses and the state.**
- **Three non-voting advisory members representing the Legislature and the Arizona Department of Revenue.**

Task Force Structure & Process



- **17 meetings between July 23 and December 13:**



Features of our TPT system



- **Nationally, 7,000 taxing jurisdictions impose sales and use taxes -- administered by the state – except in Alabama, Colorado, Louisiana and Arizona**
- **16 business classifications**
- **18 “non-program cities”**
- **Multiple licensing contacts**
- **Multiple tax returns**
- **Multiple state and local tax bases**
- **Multiple audits**
- **Varying state and city audit interpretations**

Features of our TPT system



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- **Tax on “prime contracting” activities, not on materials at point of sale.**
- **Instead, TPT is imposed on 65% of the contract, assuming 35% for labor.**
- **Controversy, litigation, legislation, frustration far disproportionate to the revenues generated.**
- **Excessive complexity increases the amount of taxpayer noncompliance, estimated to be over 30%.**
- **Reform complicated by revenue sharing formulas.**

Recommendations: Standardization



- **Work aggressively to standardize the tax base, definitions & interpretations of taxable transactions.**
- **Scrutinize any future proposed changes to the tax base by either the state or a municipality.**
- **State law should provide for statewide TPT administration.**

Recommendations: Standardization

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- **State, cities and towns should standardize TPT licensing.**
- **Expand the online portal required by HB 2466 to have all licenses be issued and all TPT tax returns filed through the portal.**
- **Allow only a single audit, in accordance with existing statutory schedules, including a multi-jurisdictional audit if applicable.**

Recommendations: Remote sales



- **Monitor and provide feedback to Arizona's congressional delegation regarding federal online retail and remote sales legislation.**
- **Ensure Arizona is well-positioned to benefit from the taxation of online retail and remote sales by passing legislation clarifying that taxable transactions are sourced at the destination for both state and local taxes.**
- **Continue economic analysis of the impact of taxation on online retail and remote sales.**

Recommendation: Contracting



- **The current tax structure for contracting activity is not desirable for many reasons, both practical and from a policy perspective; therefore state and local governments should act aggressively to transition from the current practice to a tax on materials at the point of sale.**