

# STATE OF ARIZONA



## Tax Handbook 1994 Supplement

**JLBC**

Prepared by the Staff  
of the Joint Legislative Budget Committee

# ***STATE OF ARIZONA TAX HANDBOOK 1994 SUPPLEMENT***

Prepared by

**JOINT LEGISLATIVE BUDGET COMMITTEE**

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# FOREWORD

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The Arizona Tax Handbook 1994 Supplement serves as the 1994 update to the Arizona 1990 Tax Handbook. This is the fourth annual supplement of the Arizona 1990 Tax Handbook. The JLBC Staff plans to publish a new edition of the Arizona Tax Handbook in 1995 that will incorporate the four supplements published since 1990.

This supplement incorporates all tax law revisions enacted in the Second Regular Session of the 41st Legislature, including the Seventh Special Session in December of 1993 through the Ninth Special Session in June of 1994. The supplement features a "Highlights" page and a summary table of all Fiscal Year 1994 tax yields listed in alphabetical order along with their respective percent changes from a year ago. In addition, the Fiscal Year 1994 tax yield and its distribution is recorded under each tax. All chapters and the taxes listed in the supplement correspond with the Arizona 1990 Tax Handbook, except for new taxes established since 1990. Also, the Middle Income Tax Relief Act (MITRA) passed by the 41st Legislature is explained in detail in Chapter 1. However, since this is not a state tax and only provides tax breaks to individuals and corporations in Arizona, it will not appear as a separate chapter in future supplements.

For continuity, the 1994 supplement employs the same table of acronyms and their definitions for effective dates of tax laws as used in the Arizona 1990 Tax Handbook. That table is reprinted below:

- E - Effective
- EFA - Effective From and After
- ER - Effective Retroactive to
- ERFA - Effective Retroactively to From and After
- R - Retroactive to
- RFA - Retroactive From and After
- ETYBFA - Effective to Taxable Years Beginning From and After
- RTYBFA - Retroactive to Taxable Years Beginning From and After
- ERTYBFA - Effective Retroactively to Taxable Years Beginning From and After

In conclusion, much gratitude is extended to Frank S. Chow whose continuing guidance and assistance is invaluable. My gratitude is also extended to the other JLBC economists and fiscal analysts who provided information for this supplement. A special thanks is accorded to Adele Garcia for the fine work in typing and proofreading the many drafts of the 1994 supplement, and to Lettie Phillips for the book production and publishing. We hope this supplement will facilitate our readers' study of the Arizona tax system. We sincerely ask any reader who finds an error or has a suggestion for further improvement of the Arizona Tax Handbook 1994 Supplement to please call JLBC at (602) 542-5491.

*Dennis Doby, Editor*

## HIGHLIGHTS OF TAX LAW CHANGES

The Second Regular Session and the Seventh through Ninth Special Sessions of the 41st Legislature enacted several tax relief bills. The following is a list of the major new tax developments in 1994 which is also detailed further in this Arizona Tax Handbook 1994 Supplement:

- Five "Omnibus Reconciliation Bills" (ORBs) -- Chapters 3 through 5 and Chapters 7 and 8, all in the Eighth Special Session -- were needed to execute the FY 1994 General Appropriation Act. Chapter 8, the taxation ORB, changed the Transaction Privilege and Severance Tax Distribution Formula for counties. Counties will receive 38.08% of the distribution base which is then distributed by averaging the population and the point of sale proportions by county. An additional 2.43% will be distributed to counties to hold them harmless from the change in distribution methods. The state share of the tax collections was reduced from 36.92% to 34.49%.
- Middle Income Tax Relief Act (MITRA) -- included the following tax highlights:
  - (1) Individual Income Tax -- reduced the individual income tax rates for all income levels.
  - (2) Corporate Income Tax -- reduced the Corporate Income Tax rates levied on Arizona's taxable income from 9.3% to 9.0%.
  - (3) Property Taxes -- phased down, from 30% to 25%, the assessment ratio for Class 1 (mines) and Class 2 (utilities) by 1% per year beginning in tax year 1995. The act made permanent the accelerated depreciation schedule for Class 3 and 4 property that was passed in the 1993 legislative session. The act discontinued the phase out of the Homeowners' Property Tax rebate for school district primary property taxes and leaves the percentage at 35%.
  - (4) Transaction Privilege Taxes -- provided an exemption for chemicals used or consumed in the manufacturing process.
  - (5) "Usdane Shifts" -- repealed. This "shift" allowed certain General Fund monies collected under the Vehicle License Tax and Transaction Privilege Tax to be transferred to the Highway User Revenue Fund.
- Livestock Exemption -- provided a property tax exemption for livestock by eliminating Class 11 property. The act does not become effective unless the Constitution of Arizona is amended by a vote of the people at the next general election in November of 1994.
- Solar Energy and Pollution Control Equipment Income Tax Credits -- provided individual income tax credits for the purchase of solar energy devices and Individual and Corporate Income Tax credits for the purchase of pollution control equipment and construction materials incorporated into a qualifying facility.
- Possessory Interest Property -- clarified Class 12 possessory interest property and established a new Class 13 for other possessory interests located on leased public land. The act compensates for the effects of the tax court ruling that struck down several of the possessory interest exemptions passed during the 1993 legislative session.
- State Board of Equalization -- established and provided that the Department of Revenue may contest any proposed valuation or classification, or changes in valuation or classification, before any County Board of Equalization, or before the State Board of Tax Appeals and the State Board of Equalization.
- Transaction Privilege Tax Credit -- provided for a tax credit for expenses incurred by a taxpayer in accounting and reporting taxes due. The credit is equal to 1% of the amount of tax due, but may not exceed \$10,000 in any calendar year.
- Pari-Mutuel Taxes -- lowered the state share of the pari-mutuel handle received from dog racing over a 4-year period from 7.5% to 5.5%. The act reinstated the capital improvements program for horse tracks in counties other than Maricopa and Pima counties. The act provides for a hardship tax credit for racetracks with a declining handle. The act eliminates the Transaction Privilege Tax on that part of the handle not paid out in purses. The act provide for minimum levels of funding for the funds receiving pari-mutuel racing revenues.

**TAX YIELD SUMMARY-ALPHABETICAL**  
**FY 1994 CHANGE FROM PRIOR YEAR**

(\$ Millions)

<u>TAXES</u>	<u>FY1993</u>	<u>FY 1994</u>	<u>AMOUNT CHANGE</u>	<u>PERCENT CHANGE</u>
Aircraft License	\$1.430	\$1.461	\$0.031	2.17%
Alcoholic Beverage	3.093	3.493	0.400	12.93
Aviation Fuel	0.397	0.691	0.294	74.06
Bingo	0.922	0.924	0.002	0.22
Boulder Canyon Projects	0.300	0.300	0.000	0.00
Boxing	0.016	0.021	0.005	31.25
Commercial Nuclear Generating	0.833	0.870	0.037	4.44
Corporate Income	239.269	302.617	63.348	26.48
Estate	39.714	40.617	0.903	2.27
Flight Property	11.330	12.279	0.949	8.38
Individual Income	1,367.641	1,405.483	37.842	2.77
Insurance Premium	115.165	123.739	8.574	7.44
Intrastate Utility Corporation	6.503	6.416	(0.087)	(1.34)
Jet Fuel Excise & Use	7.673	5.693	(1.980)	(25.80)
Luxury-Controlled Substances	0.007	0.018	0.011	157.14
Luxury-Cigarettes	53.647	53.077	(0.570)	(1.06)
Luxury-Liquor	40.850	42.263	1.413	3.46
Motor Carrier	120.303	118.530	(1.773)	(1.47)
Motor Vehicle	322.573	341.252	18.679	5.79
Other Property	7.396	4.860	(2.536)	(34.29)
Pari-Mutuel	8.080	8.507	0.427	5.28
Private Car	0.895	1.037	0.142	15.87
Real Property	186.650	174.249	(12.401)	(6.64)
Rental Occupancy	0.086	0.098	0.012	13.95
Severance-Minerals	27.868	23.454	(4.414)	(15.84)
Severance-Timber	0.422	0.266	(0.156)	(36.97)
Telecommunication Services	8.079	8.716	0.637	7.88
Transaction Privilege	1,974.064	2,178.689	204.625	10.37
Underground Storage Tank	21.075	25.072	3.997	18.97
Unemployment Insurance	147.269	195.023	47.754	32.43
Unsecured Property	9.194	7.085	(2.109)	(22.94)
Use	84.425	97.493	13.068	15.48
Use Fuel	72.008	87.913	15.905	22.09
Vehicle License	333.480	377.594	44.114	13.23
Voluntary Contributions-Districts	4.092	4.156	0.064	1.56
Voluntary Contributions-Municipalities	0.741	0.588	(0.153)	(20.65)
Voluntary Contributions-Game & Fish	0.000	0.000	0.000	0.00
Water Use	1.470	1.638	0.168	11.43
Watercraft License	1.619	1.317	(0.302)	(18.65)
Workers' Compensation	20.731	11.655	(9.076)	(43.78)
<b>TOTALS</b>	<b><u>\$5,241.310</u></b>	<b><u>\$5,669.154</u></b>	<b><u>\$427.844</u></b>	<b><u>8.16%</u></b>



**TAX YIELD SUMMARY-HIGHEST TO LOWEST**  
**FY 1994 CHANGE FROM PRIOR YEAR**

(\$ Millions)

<b><u>TAXES</u></b>	<b><u>FY 1993</u></b>	<b><u>FY 1994</u></b>	<b><u>AMOUNT CHANGE</u></b>	<b><u>PERCENT CHANGE</u></b>
Transaction Privilege	1,974.064	2,178.689	204.625	10.37
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Underground Storage Tank	21.075	25.072	3.997	18.97
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Unsecured Property	9.194	7.085	(2.109)	(22.94)
Intrastate Utility Corporation	6.503	6.416	(0.087)	(1.34)
Jet Fuel Excise & Use	7.673	5.693	(1.980)	(25.80)
Other Property	7.396	4.860	(2.536)	(34.29)
Voluntary Contributions-Districts	4.092	4.156	0.064	1.56
Alcoholic Beverages	3.093	3.493	0.400	12.93
Water Use	1.470	1.638	0.168	11.43
Aircraft License	1.430	1.461	0.031	2.17
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Voluntary Contributions-Game & Fish	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.00</u>
<b>TOTALS</b>	<b><u>\$5,241.310</u></b>	<b><u>\$5,669.154</u></b>	<b><u>\$427.844</u></b>	<b><u>8.16%</u></b>

# **CHAPTER I**

## **NEW TAX CATEGORIES AND INCENTIVE PROGRAMS FOR 1994**

## MIDDLE INCOME TAX RELIEF ACT

### DESCRIPTION

Laws 1994, Chapter 41 contained the major components of the tax reduction package known as the Middle Income Tax Relief Act (MITRA) of 1994. The act contained the following major provisions:

### INDIVIDUAL INCOME TAXES

The act, for taxable years beginning from and after December 31, 1993, reduced the individual income tax rates levied on taxable income for both residents and nonresidents:

#### Single or Married Filing Separate

<u>Taxable Income</u>	<u>Old Tax Rate</u>	<u>New Tax Rate</u>
\$0-\$10,000	3.80%	3.25%
\$10,001-\$25,000	4.40	4.00
\$25,001-\$50,000	5.25	5.05
\$50,001-\$150,000	6.50	6.40
\$150,001 and over	7.00	6.90

#### Married Filing Jointly or Single Head of Household

<u>Taxable Income</u>	<u>Old Tax Rate</u>	<u>New Tax Rate</u>
\$0-\$20,000	3.80%	3.25%
\$20,001-\$50,000	4.40	4.00
\$50,001-\$100,000	5.25	5.05
\$100,001-\$300,000	6.50	6.40
\$300,100-and over	7.00	6.90

The act amends the Urban Revenue Sharing Fund which distributes, to incorporated cities and towns, an amount equal to 12.8% of the net proceeds of state income taxes for the fiscal year two years prior to the current fiscal year. Beginning in FY 1997, the amount distributed will be equivalent to 13.6% of the net proceeds.

### CORPORATE INCOME TAXES

The act, for taxable years beginning from and after December 31, 1994, reduced the Corporate Income Tax rate levied on Arizona's taxable income of every corporation, unless exempted, to 9% of net income or \$50, whichever is greater.

### CONSOLIDATED CORPORATE INCOME TAX RETURNS BY AFFILIATED GROUPS

The act provided that on or before the due date, including any extensions, for filing the original return for taxable years beginning from and after December 31, 1993, the common parent of an affiliated group of corporations may elect to consolidate the taxable income of all members of the affiliated group, regardless of whether each member is subject to tax. Also, on or before December 31, 1994, a corporation may elect to file an amended consolidated return for all taxable years beginning from and after December 31, 1985. Filing an amended return in the manner prescribed by the Department of Revenue constitutes an election to file a consolidated return. A failure to file all

(Continued)

## Middle Income Tax Relief Act

amended returns by December 31, 1994 voids the election. The Department of Revenue may audit such amended returns.

Net overpayments of tax that arise from the amended returns shall be treated as credits against future tax liabilities for taxable years beginning from and after June 30, 1995. Credit vouchers, issued by the Department of Revenue, will be used to reduce future corporate income tax liabilities as follows:

1. The available credit is for tax and interest computed through December 31, 1994.
2. The maximum amount of credit that can be used in any tax year is 10% of the total credit.
3. The credits may be used to offset the affected Arizona Affiliated Group's tax liabilities for 10 consecutive years beginning with the first tax year ending after the credit voucher is issued.
4. Any unused credit remaining after 10 consecutive years shall be claimed in the next taxable year and, if it exceeds the amount of tax otherwise due, shall be refunded.

The affiliated group shall file a consolidated return for the year of election and for each succeeding taxable year, unless the Department of Revenue consents to a change of filing method. The election by the common parent of the affiliated group is not effective unless it is accompanied by written consents to the election signed by each of the members of the affiliated group. After election, a corporation that was not a member of the Arizona's affiliated group in the year of the election, but is a member of the affiliated group in the current year, is considered to have waived any objection to the filing of the consolidated return by its consent to join in filing a federal consolidated return.

The Department of Revenue may adopt administrative rules as they relate to consolidated returns by Arizona's affiliated groups. The Department of Revenue may require an affiliated group to file a consolidated return if the department determines that a consolidated return is necessary to prevent evasion of taxes or to clearly reflect the taxable income that is attributable to the business conducted by the affiliated group. The Department of Revenue may require the filing of combined reports, and such other information as it deems necessary, unless the taxpayer has elected or is required to file a consolidated return.

An affiliated group may file a consolidated return to Arizona only if the affiliated group properly elected or was required to file a consolidated federal return. The Arizona gross income of an Arizona affiliated group is the consolidated federal taxable income of the affiliated group. The affiliated group shall allocate and apportion its income in the manner prescribed in Arizona statute. For the purposes of allocation and apportionment of income, the Arizona affiliated group shall be treated as a single taxpayer. For any taxpayer, all members of an Arizona affiliated group filing a consolidated return to Arizona are jointly and severally liable for the taxes, interest and penalties.

For purposes of this section:

1. "Affiliated group" was defined as corporations that have properly elected or are required to file consolidated Federal Income Tax returns under section 1501 of the Internal Revenue Code.
2. "Arizona affiliated group" was defined as corporations for which a proper election to file a consolidated return has been made or the corporations that are required to file a consolidated return.

In computing Arizona's taxable income for a corporation:

(Continued)

## Middle Income Tax Relief Act

1. The loss of insurance companies, who have paid the State Tax upon premium income derived from sources within this state, shall be added to Arizona's gross income to the extent that it is included in computing Arizona gross income on a consolidated return.
2. The income of insurance companies, who have paid state tax upon premium income derived from sources within this state, shall be subtracted from Arizona's gross income to the extent that it is included in computing Arizona's gross income on a consolidated return.

Apportionment changes related to the filing of consolidated returns by affiliated groups:

1. The property factor does not include real and tangible personal property used by either a foreign corporation which is not subject to the tax unless the corporation is subject to the tax as a member of an Arizona affiliated group or an insurance company.
2. The payroll factor does not include compensation paid by either a foreign corporation which is not subject to the tax unless the corporation is subject to the tax as a member of an Arizona affiliated group or an insurance company.
3. The sales factor does not include the sales of either a foreign corporation which is not subject to the tax unless the corporation is subject to the tax as a member of an Arizona affiliated group or an insurance company.
4. The apportionment provisions that allow for separate accounting of a taxpayer's business activity do not apply with respect to an Arizona affiliated group. The employment of other methods to effectuate an equitable allocation and apportionment of a taxpayer's income may be used to disallow a properly elected consolidated return.

## CONFORMITY TO THE INTERNAL REVENUE CODE

The act added A.R.S. § 42-105 that:

1. Conformed the Income Tax for tax year 1994 to the United States Internal Revenue Code in effect on January 1, 1994, including those provisions that became effective during 1993 with the specific adoption of their retroactive effective date, but excluding any change enacted after January 1, 1994.
2. Conformed, except as provided in A.R.S. § 43-106, the Income Tax for tax year 1993 to the United States Internal Revenue Code in effect on January 1, 1993, including those provisions that became effective during 1992 with the specific adoption of their retroactive effective date, but excluding any change enacted after January 1, 1993. The excluded provisions are subtractions to income for tax year 1993 and are listed in statute.
3. Conformed the Income Tax for tax year 1992 and 1991 to the United States Internal Revenue Code in effect for those tax years.

The act added A.R.S. § 42-106 that:

1. Extended the selective conformity provisions provided by Laws 1993, Sixth Special Session, Chapter 2, to corporations and partnerships. The act selectively conformed the Individual Income Tax and Arizona taxable income for corporations, estates, trusts, and partnerships for tax year 1993 to the United States Internal Revenue Code in effect on November 8, 1993, including those provisions that became effective during 1993

(Continued)

## **Middle Income Tax Relief Act**

with the specific adoption of their retroactive effective dates, but excluding any changes enacted after November 8, 1993.

2. In addition to the income tax subtractions provided by Laws 1993, Sixth Special Session, Chapter 2, the following changes were included:
  - a. A shareholder of an "S" corporation may subtract a proportionate share of the income or expense items allowed in statute. For purposes of the subtraction, the shareholder is considered to be the taxpayer who paid or incurred the qualifying expenses.
  - b. A partnership may subtract its income or expense items allowed in statute. For the purposes of the subtraction the partnership is considered to be the taxpayer that received the federal tax credits.
  - c. For taxable years ending on or after March 4, 1991 and beginning before January 1, 1994, in addition to the subtractions already allowed, a corporation may subtract the following amounts from Arizona gross income:
    - 1.) The amount of losses by a thrift institution with respect to principal, capital or a similar amount on disposition or write down on assets received as reimbursements from the Federal Savings and Loan Insurance Corporation.
    - 2.) The amount of Federal Savings and Loan Insurance Corporation assistance received by a thrift institution during and taken into account in computing worthless debt or addition to bad debt service.

### **PROPERTY TAXES**

The act freezes the phase-out of the Homeowners' Property Tax rebate for school district primary property taxes. The percentage will remain at 35% for 1994 and thereafter.

The act included the following changes to the classification of property for taxation:

1. Class 3 was broken into 2 subclasses:
  - a. Class 3 (R) consisting of all real property and improvements devoted to any commercial or industrial use other than property included in Classes 1, 2, 4, 6, 7, 8, 9, 10 or 12.
  - b. Class 3 (P) consisting of all personal property devoted to any commercial or industrial use other than property included in Classes 1, 2, 4, 6, 7, 8, 9, 10, or 12.
2. Class 4 was also broken into 2 subclasses:
  - a. Class 4 (R) consisting of real property and improvements.
  - b. Class 4 (P) consisting of personal property.

(Continued)

## Middle Income Tax Relief Act

The act made the following changes to the assessment ratios for the different classes of property:

1. Class 1 (mines) and Class 2 (utilities) phase down:
  - a. 30% of full cash value for tax years 1990 through 1994,
  - b. 29% of full cash value for tax year 1995,
  - c. 28% of full cash value for tax year 1996,
  - d. 27% of full cash value for tax year 1997,
  - e. 26% of full cash value for tax year 1998, and
  - f. 25% of full cash value for tax years 1999 and thereafter.
2. Adjustments to maximum thresholds for 1% assessment ratio to Class 3 (commercial and industrial) personal property:
  - 1.) 25% of full cash value for class 3 (P) for tax years 1993 and 1994
  - 2.) 1% of full cash value not exceeding \$3,000 and 25% exceeding \$3,000 for tax year 1995
  - 3.) 1% of full cash value not exceeding \$6,000 and 25% exceeding \$6,000 for tax year 1996
  - 4.) 1% of full cash value not exceeding \$10,000 and 25% exceeding \$10,000 for tax year 1997 and thereafter.
3. Adjustments to maximum thresholds for 1% assessment ratio to Class 4 (agricultural) personal property:
  - 1.) 16% of full cash value for class 4 (P) for tax years 1993 and 1994
  - 2.) 1% of full cash value not exceeding \$3,000 and 16% exceeding \$3,000 for tax year 1995
  - 3.) 1% of its full cash value not exceeding \$6,000 and 16% exceeding \$6,000 for tax year 1996
  - 4.) 1% of its full cash value not exceeding \$10,000 and 16% exceeding \$10,000 for tax year 1997 and thereafter.

The act also expanded the accelerated depreciation schedule on Class 3 (commercial and industrial) personal property as passed by Laws 1993, 2nd Special Session, Chapter 9, to include Class 4 (agricultural) personal property and made the schedule permanent.

**NOTE:** Laws 1994, Chapters 41, 102, 293, 309 and 359 all make changes to property tax classification and assessment.

### TRANSACTION PRIVILEGE TAXES

The act provided a Transaction Privilege and Use Tax exemption, beginning from and after June 30, 1995, to chemicals used in manufacturing and mining if using or consuming the chemicals, alone or as part of an integrated system, causes a chemical or physical change to occur in the materials as part of the production process. This does not include chemicals that are used or consumed in activities such as packaging, storage, or transportation but does not affect any deduction for such chemicals that is otherwise provided by this section.

The act clarified that prosthetic devices prescribed or recommended by a person who is licensed, registered or otherwise professionally credentialed as a physician, dentist, podiatrist, chiropractor, naturopath, homeopath, nurse, or optometrist are exempted from the use tax.

### OTHER

The act repeals the "Usdane Shifts" which required that if the Vehicle License Tax, or other taxable auto related retail sales of tangible personal property, increases greater than 7%, then an amount determined by formula would be deposited in the HURF rather than the state General Fund.





# **CHAPTER II**

## **DISTRIBUTION BASE AND NON-SHARED TAXES**

## TRANSACTION PRIVILEGE TAX

<u>TAX YIELD:</u>	<u>Fiscal Year</u>	<u>Net Collections</u>
	1993-94	\$2,178,689,271

### DISTRIBUTION OF TRANSACTION PRIVILEGE TAX

<u>State General Fund*</u>	<u>Counties</u>	<u>Cities</u>
\$1,687,198,638	\$296,702,018	\$194,788,615
* From this amount \$2,970,000 was appropriated to the Department of Health Services for the Disease Control Research Fund. Also, the amount does not include net estimated collections of \$5,388,147.		

### 1994 TAX LAWS

**Laws 1994, 8th Special Session, Chapter 8** changed the Transaction Privilege and Severance Tax distribution formula for counties. Collections designated as the distribution base by the State Treasurer are divided and shared by the state, counties, and incorporated municipalities. Incorporated municipalities will continue to receive 25% in proportion to their population. The state share is reduced from 36.92% to 34.49%. Counties will now receive 40.51% with 38.08% shared among the counties by averaging the following proportions:

1. The proportion that the population of each county bears to the total state population.
2. The proportion that the distribution base monies collected during the calendar month in each county bear to the total distribution base monies collected for the calendar month.

For those counties receiving less under the population formula than under the original property valuation formula, an additional 2.43% will be distributed to hold them harmless from the change in distribution methods. Any amount left after this distribution will be distributed to counties based on the new formula. (EFA - June 30, 1994)

**Laws 1994, Chapter 41** contained the major components of the tax reduction package known as the Middle Income Tax Relief Act (MITRA) of 1994 (for details on this bill, see Page 3). The act contained the following major provisions affecting the Transaction Privilege Tax (E - July 17, 1994):

1. The act provided a Transaction Privilege and Use Tax exemption to chemicals used in manufacturing and mining, alone or as part of an integrated system of chemicals, that cause a chemical or physical change to occur in the materials as part of the production process. This act excludes chemicals used or consumed in activities such as packaging, storage, or transportation but does not affect any deduction for such chemicals that is otherwise provided in statute. (EFA - June 30, 1995)

(Continued)

## Transaction Privilege Tax

2. The act clarified that prosthetic devices prescribed or recommended by a person who is licensed, registered or otherwise professionally credentialed as a physician, dentist, podiatrist, chiropractor, naturopath, homeopath, nurse, or optometrist are exempted from the Use Tax.
3. The act repealed the "Usdane Shifts" which required that if the Vehicle License Tax, or other taxable auto related retail sales of tangible personal property increases greater than 7%, then an amount determined by formula would be deposited in the Highway User Revenue Fund rather than the state General Fund.

Laws 1994, Chapter 64 clarified an earlier bill that provided refunds of Transaction Privilege Taxes paid on tangible personal property sold to or purchased by a residential care facility in conjunction with a licensed nursing care institution. This act required the facility to demonstrate that the refund will be paid in a reasonable and nondiscriminatory manner to those residents, including past, current or future residents, who have paid or are continuing to pay the taxes. The refunds may be provided by means of direct payment or by an offsetting credit against facility charges. (E - July 17, 1994)

Laws 1994, Chapter 92 provided a Transaction Privilege Tax exemption to the gross proceeds of sales or gross income derived from transporting for hire persons, freight or property by a railroad pursuant to a contract with another railroad that is also considered to be engaged in the business, if the other railroad is liable for the tax on the gross proceeds of sales or gross income attributable to the transportation. (RTYBFA - December 31, 1987)

Laws 1994, Chapter 145 provided a Transaction Privilege Tax exemption, under the amusement classification, to sales of admissions to the 1996 National Football League Superbowl. (E - July 17, 1994)

Laws 1994, Chapter 174 provided that from April 19, 1983 until December 31, 1994, personal property liquidation transactions, conducted by a personal property liquidator are not subject to the Transaction Privilege Tax under the retail classification.

From and after January 1, 1995, personal property liquidation transactions shall be taxable provided that nothing in the retail classification shall be construed to authorize the taxation of casual activities or transactions. "Personal property liquidation transaction" was defined as a sale of personal property made by a personal property liquidator acting solely on behalf of the owner of the personal property sold at the dwelling of the owner or upon the death of any owner on behalf of the surviving spouse, if any, any devisee or heir or the personal representative of the estate of the deceased, if one has been appointed. "Personal property liquidator" was defined as a person who is retained to conduct a sale in a personal property liquidation transaction.

Tax liabilities, penalties and interest paid for taxable periods beginning from and after April 19, 1983, through the effective date of the act, on a tax base that included personal property liquidation transactions, shall not be refunded unless the taxpayer requesting the refund provides evidence satisfactory to the Department of Revenue that the amounts collected from purchases as taxes, penalties or interest will be returned to the final purchasers of the tangible personal property that was sold. (RTYBFA - April 19, 1983)

Laws 1994, Chapter 240 provided the following Transaction Privilege and/or Use Tax exemptions (E - July 17, 1994):

1. Provides a Transaction Privilege Tax exemption for nonprofit charitable organization that have qualified under Section 501(C)(3) of the Internal Revenue Code and that regularly serves meals to the needy and indigent on a continuing basis at no cost.

(Continued)

## **Transaction Privilege Tax**

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2. Exempts from the Transaction Privilege and Use Tax sales of food, drink and condiment for consumption within the premises of a prison, jail or other institution under the jurisdiction of the State Department of Corrections, the Department of Public Safety, the Department of Youth Treatment and Rehabilitation or a County Sheriff.
3. Provided a Use Tax exemption for printed, photographic, electronic or digital media materials for use by the public, which are unavailable for purchase in this state, purchased by publicly funded libraries.
4. Clarified that the Use Tax exemption for prosthetic appliances applied to devices prescribed or recommended by a person who is licensed, registered or professionally credentialed as a physician, dentist, podiatrist, chiropractor, naturopath, homeopath, nurse or optometrist.

**Laws 1994, Chapter 307** provided a Transaction Privilege and Use Tax exemption, under the retail classification, to (EFA - September 30, 1994):

1. Livestock and poultry feed, salts, vitamins and other additives for livestock or poultry. For these purposes "poultry" includes ratites.
2. Implants used as growth promotants and injectable medicines, not already exempt, for livestock or poultry. For these purposes "poultry" includes ratites.

The act amends the feed classification by clarifying that "concentrated animal feeding operation" means a dairy or beef cattle feedlot or feedyard. Feedlot or feedyard includes a lot or facility where dairy, slaughter or feeder cattle are confined and fed for 45 days or more in any 12-month period. The feed classification, as amended, is repealed from and after September 30, 1994. (RTYBFA - September 30, 1993)

The act clarified that the feed classification is comprised of the business of selling livestock or poultry feed, including salts, vitamins, implants used as growth promotants, injectable medicines and other additives, for livestock or poultry consumption to persons who are engaged in producing livestock, poultry or livestock or poultry products or who are engaged in feeding livestock or poultry commercially. (RTYBFA - December 31, 1989)

**Laws 1994, Chapter 309** provided a Transaction Privilege and Use Tax exemption to ratites used as breeding or production stock. The act also included "ratites" as Class 11 personal property for tax purposes. "Ratites" were defined as ostriches, emus, rheas and cassowaries. "Poultry" was defined as chickens, turkeys, domesticated birds, game birds, fowl and waterfowl but does not include ratites. The act contains provisions defined in Article IX, Section 22, Constitution of Arizona that requires the affirmative vote of at least two-thirds of both houses. (E - April 25, 1994)

**Laws 1994, Chapter 312** provided a Transaction Privilege Tax exemption to (RTYBFA - December 31, 1987):

1. Private or group instructional activities. For purposes of this paragraph, private or group institutional activities include, but is not limited to performing arts, martial arts, gymnastics and aerobic instruction. Persons engaged in the business of offering instructional activities shall account for separately the gross income from exhibition, amusement or entertainment and the gross income from instructional activities. If the books do not provide this separate accounting, the tax is imposed on the person's total gross income from the business.

(Continued)

## **Transaction Privilege Tax**

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2. Memberships, including initiation fees, which provide for the right to use a health or fitness establishment or recreational establishment for 28 days or more.
3. The Department of Revenue shall provide a refund of tax liabilities, penalties and interest paid between December 31, 1987 and July 17, 1994 on a tax base that includes gross income from private or group instructional activities.

The act extends the exemption for the leasing or subleasing of real property used by a licensed nursing care institution. The retroactive application of the exemption was changed from January 1, 1986 to January 1, 1982. (ER - January 1, 1982)

The act also provided that beginning from and after December 31, 1990 through December 31, 1993, a prime contractor may deduct from gross income the purchase price of tangible personal property intended to be incorporated or fabricated into or installed in a health care facility, including construction materials, machinery and equipment. A prime contractor shall submit a claim for a refund on or before June 30, 1995. No refund shall be made unless the prime contractor provides evidence satisfactory to the Department of Revenue that all refunds shall be remitted by the prime contractor to the qualifying community health center. If the prime contractor fails to remit the monies, the tax shall be considered due from the prime contractor and amounts not remitted remain as a lien against the prime contractor. Refunds shall be issued beginning from and after June 30, 1995. (E - July 17, 1994)

Laws 1994, Chapter 313 provided for the issuance of bonds by a city, town or county to finance the construction of a "qualified theme park." The city, town or county may impose a special excise tax on all business activity that is subject to taxation. Business activity that is subject to taxation is exempt from the state Transaction Privilege Tax during the time the tax is imposed by the city, town or county in effect. The tax will remain in effect until the bonds issued are paid in full or 20 years after the bonds are issued, whichever occurs first. Any city, town or special taxing district shall not levy a Transaction Privilege, Sales, Use or other similar tax on any business activity conducted at or tangible personal property leased or rented by any qualified theme park, themed amusement park or other nonathletic entertainment facility that is subject to taxation. (EFA - June 30, 1995)

Laws 1994, Chapter 314 provided that cities, towns and counties, which submit 1995 population estimates to the Director of the Department of Revenue, the Director of the Department of Transportation and the State Treasurer, may, in lieu of conducting a special census, submit July 1995 population estimates approved by the Director of the Department of Economic Security, Population Statistics Unit. The population estimates are used for the distribution of state shared revenue. The act is repealed on July 1, 2001. (E - July 17, 1994)

Laws 1994, Chapter 333 was the Annual Tax Corrections Act that made technical and conforming changes to the tax code. (E - July 17, 1994)

Laws 1994, Chapter 346 provided a Transaction Privilege Tax credit for expenses incurred by a taxpayer in accounting and reporting taxes due. The credit is equal to 1% of the amount of the tax due, but may not exceed \$10,000 in any calendar year for any taxpayer. Estimated taxes are not considered as a separate reporting period. A taxpayer shall claim the credit for each tax period on forms prescribed and furnished by the Department of Revenue. A claim for credit is not allowed if the taxpayer fails to pay the tax due, plus any estimated tax liability, before payment becomes delinquent. (ETYBFA - June 30, 1995)

Laws 1994, Chapter 352 clarified the Transaction Privilege Tax exemption under the job printing classification applies to the sales of job printing, engraving, embossing and copying for use outside this state if the materials are

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## **Transaction Privilege Tax**

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shipped or delivered out of this state, regardless of where title to the materials passes or their free on board point. (RTYBFA - June 30, 1988)

**Laws 1994, Chapter 370** provided a Transaction Privilege Tax exemption equal to one-third of the amount received by a racetrack from the total handle during Fiscal Year 1996, two-thirds for Fiscal Year 1997 and the full amount beginning in Fiscal Year 1998. The amount held by racetracks for the payment of purses is already exempt. (E - July 17, 1994)

**Laws 1994, Chapter 375** provided changes to the Taxpayers' Bill of Rights including provisions on installment payments of tax, abatement of penalties, and reimbursement of fees and other costs. The reimbursement of fees and other costs section is effective for fees and other costs incurred after December 31, 1994. (E - July 17, 1994)

**Laws 1994, Chapter 377** provided a Transaction Privilege and Use Tax exemption for overhead materials that are used in performing a contract between the United States Government and a manufacturer, including property used in performing a subcontract with a government contractor to which title passes to the government under terms of the contract or subcontract. The act also defined "overhead materials" and "subcontract." The act does not apply with respect to any existing audit, appeal or litigation. (ETYBFA - June 30, 1995)

## USE TAX

<b>TAX YIELD:</b>	<u>Fiscal Year</u>	<u>Total Collections</u>
	1993-94	\$97,492,637
<b>DISTRIBUTION:</b> State General Fund		

### 1994 TAX LAWS

Laws 1994, Chapter 41 contained the major components of the tax reduction package known as the Middle Income Tax Relief Act (MITRA) of 1994 (for details on this bill, see Page 3).<sup>1</sup> The act contained the following major provisions affecting the Transaction Privilege Tax:

1. The act provided a Transaction Privilege and Use Tax exemption to chemicals used in manufacturing and mining, alone or as part of an integrated system of chemicals, that cause a chemical or physical change to occur in the materials as part of the production process. This excludes chemicals used or consumed in activities such as packaging, storage, or transportation but does not affect any deduction for such chemicals that is otherwise provided in statute. (EFA - June 30, 1995)
2. The act clarified that prosthetic devices prescribed or recommended by a person who is licensed, registered or otherwise professionally credentialed as a physician, dentist, podiatrist, chiropractor, naturopath, homeopath, nurse, or optometrist are exempted from the Use Tax. (E - July 17, 1994)

Laws 1994, Chapter 64 clarified an earlier bill that provided refunds of Transaction Privilege Taxes paid on tangible personal property sold to or purchased by a residential care facility in conjunction with a licensed nursing care institution. This act required the facility to demonstrate that the refund will be paid in a reasonable and nondiscriminatory manner to those residents, including past, current or future residents, who have paid or are continuing to pay the taxes. The refunds may be provided by means of direct payment or by an offsetting credit against facility charges. (E - July 17, 1994)

Laws 1994, Chapter 240 provided the following Transaction Privilege and/or Use Tax exemptions (E - July 17, 1994):

1. Provides a Transaction Privilege Tax exemption for nonprofit charitable organization that have qualified under Section 501(C)(3) of the Internal Revenue Code and that regularly serves meals to the needy and indigent on a continuing basis at no cost.
2. Exempts from the Transaction Privilege and Use Tax sales of food, drink and condiment for consumption within the premises of a prison, jail or other institution under the jurisdiction of the State Department of Corrections, the Department of Public Safety, the Department of Youth Treatment and Rehabilitation or a County Sheriff.
3. Provided a Use Tax exemption for printed, photographic, electronic or digital media materials for use by the public, which are unavailable for purchase in this state, purchased by publicly funded libraries.

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## Use Tax

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4. Clarified that the Use Tax exemption for prosthetic appliances applies to devices prescribed or recommended by a person who is licensed, registered or professionally credentialed as a physician, dentist, podiatrist, chiropractor, naturopath, homeopath, nurse or optometrist.

Laws 1994, Chapter 305 provides a Use Tax exemption for the following tangible personal property (RTYBFA - December 31, 1986):

1. Motor vehicles that are removed from inventory by a motor vehicle dealer and that are provided to:
  - a. Public educational institutions.
  - b. State universities or affiliated organizations of a state university if no part of the organization's net earnings inures to the benefit of any private shareholder or individual.
2. Tangible personal property which is or directly enters into and becomes an ingredient or component part of cards used as prescription plan identification cards. This provision applies prospectively only and is intended to have no effect on tax liabilities that accrued before the effective date of this act, including liabilities established pursuant to audit and administrative and judicial appeal. (E - July 17, 1994)

Laws 1994, Chapter 307 provided a Transaction Privilege and Use Tax exemption, under the retail classification, to (EFA - September 30, 1994):

1. Livestock and poultry feed, salts, vitamins and other additives for livestock or poultry. For these purposes "poultry" includes ratites.
2. Implants used as growth promotants and injectable medicines, not already exempt, for livestock or poultry. For these purposes "poultry" includes ratites.

The act amends the feed classification by clarifying that "concentrated animal feeding operation" means a dairy or beef cattle feedlot or feedyard. Feedlot or feedyard includes a lot or facility where dairy, slaughter or feeder cattle are confined and fed for 45 days or more in any 12-month period. The feed classification, as amended, is repealed from and after September 30, 1994. (RTYBFA - September 30, 1993)

The act clarified that for tax periods from and after December 31, 1989, the feed classification is comprised of the business of selling livestock or poultry feed, including salts, vitamins, implants used as growth promotants, injectable medicines and other additives, for livestock or poultry consumption to persons who are engaged in producing livestock, poultry or livestock or poultry products or who are engaged in feeding livestock or poultry commercially.

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## Use Tax

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**Laws 1994, Chapter 333** was the Annual Tax Corrections Act that made technical and conforming changes to the tax code. (E - July 17, 1994)

**Laws 1994, Chapter 375** provided changes to the Taxpayers' Bill of Rights including provisions on installment payments of tax, abatement of penalties, and reimbursement of fees and other costs. The reimbursement of fees and other costs section is effective for fees and other costs incurred after December 31, 1994. (E - July 17, 1994)

**Laws 1994, Chapter 377** provided a Transaction Privilege and Use Tax exemption for overhead materials that are used in performing a contract between the United States Government and a manufacturer, modifier, assembler or repairer, including property used in performing a subcontract with a government contractor to which title passes to the government under terms of the contract or subcontract. The act also defined "overhead materials" and "subcontract." The act does not apply with respect to any existing audit, appeal or litigation. (ETYBFA - June 30, 1995)

## SEVERANCE TAX ON METALLIFEROUS MINERALS

<b>TAX YIELD:</b>	<u>Fiscal Year</u>	<u>Net Collections</u>
	1993-94	\$23,454,340

DISTRIBUTION OF TAX ON METALLIFEROUS MINERALS			
<u>Fiscal Year</u>	<u>State General Fund</u>	<u>Counties</u>	<u>Cities</u>
1993-94	\$11,618,342	\$7,145,130	\$4,690,868

### 1994 TAX LAWS

**Laws 1994, 8th Special Session, Chapter 8** changed the Transaction Privilege and Severance Tax distribution formula for counties. Collections designated as the distribution base by the State Treasurer are divided and shared by the state, counties, and incorporated municipalities. Incorporated municipalities will continue to receive 25% in proportion to their population. The state share is reduced from 36.92% to 34.49%. Counties will now receive 40.51% with 38.08% shared among the counties by averaging the following proportions:

1. The proportion that the population of each county bears to the total state population.
2. The proportion that the distribution base monies collected during the calendar month in each county bear to the total distribution base monies collected.

For those counties receiving less under the population formula than under the original property valuation formula, an additional 2.43% will be distributed to counties to hold them harmless from the change in distribution methods. Any amount left after this distribution will be distributed to counties based on the new formula. (EFA - June 30, 1994)

**Laws 1994, Chapter 314** provided that cities, towns and counties, which submit 1995 population estimates to the Director of the Department of Revenue, the Director of the Department of Transportation and the State Treasurer, may, in lieu of conducting a special census, submit July 1995 population estimates approved by the Director of the Department of Economic Security, Population Statistics Unit. The population estimates are used for the distribution of state shared revenue. The act is repealed on July 1, 2001. (E - July 17, 1994)

**Laws 1994, Chapter 375** provided changes to the Taxpayers' Bill of Rights including provisions on installment payments of tax, abatement of penalties, and reimbursement of fees and other costs. The reimbursement of fees and other costs is effective after December 31, 1994. (E - July 17, 1994)

## SEVERANCE TAX ON TIMBER

<u>TAX YIELD:</u>	<u>Fiscal Year</u>	<u>Net Collections</u>
	1993-94	\$265,689

<u>DISTRIBUTION OF SEVERANCE TAX ON TIMBER</u>			
<u>Fiscal Year</u>	<u>State General Fund</u>	<u>Counties</u>	<u>Cities</u>
1993-94	\$131,612	\$80,939	\$53,138

### 1994 TAX LAWS

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## RENTAL OCCUPANCY TAX

<u>TAX YIELD:</u>	<u>Fiscal Year</u>	<u>Gross Collections</u>
	1993-94	\$98,229

<u>DISTRIBUTION OF RENTAL OCCUPANCY TAX</u>			
<u>Fiscal Year</u>	<u>State General Fund</u>	<u>Counties</u>	<u>Cities</u>
1993-94	\$56,919	\$24,938	\$16,372

### 1994 TAX LAWS

Laws 1994, 8th Special Session, Chapter 8 changed the Transaction Privilege and Severance Tax distribution formula for counties. Collections designated as the distribution base by the State Treasurer are divided and shared by the state, counties, and incorporated municipalities. Incorporated municipalities will continue to receive 25% in proportion to their population. The state share is reduced from 36.92% to 34.49%. Counties will now receive 40.51% with 38.08% shared among the counties by averaging the following proportions:

1. The proportion that the population of each county bears to the total state population.
2. The proportion that the distribution base monies collected during the calendar month in each county bear to the total distribution base monies collected for the calendar month.

For those counties receiving less under the population formula than under the original property valuation formula, an additional 2.43% will be distributed to counties to hold them harmless from the change in distribution methods. Any amount left after this distribution will be distributed to counties based on the new formula. (EFA - June 30, 1994)

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Laws 1994, Chapter 375 provided changes to the Taxpayers' Bill of Rights including provisions on installment payments of tax, abatement of penalties, and reimbursement of fees and other costs. The reimbursement of fees and other costs is effective after December 31, 1994. (E - July 17, 1994)

## JET FUEL EXCISE AND USE TAX

<u>TAX YIELD:</u>	<u>Fiscal Year</u>	<u>Excise Tax</u>	<u>Use Tax</u>	<u>Total</u>
	1993-94	\$5,202,583	\$490,721	\$5,693,304

<u>DISTRIBUTION OF JET FUEL EXCISE TAX</u>			
<u>Fiscal Year</u>	<u>State General Fund</u>	<u>Counties</u>	<u>Cities</u>
1993-94	\$3,889,868	\$792,457	\$520,258

<u>DISTRIBUTION OF JET FUEL USE TAX</u>	
<u>Fiscal Year</u>	<u>State General Fund</u>
1993-94	\$490,721

### 1994 TAX LAWS

Laws 1994, 8th Special Session, Chapter 8 changed the Transaction Privilege and Severance Tax distribution formula for counties. Collections designated as the distribution base by the State Treasurer are divided and shared by the state, counties, and incorporated municipalities. Incorporated municipalities will continue to receive 25% in proportion to their population. The state share is reduced from 36.92% to 34.49%. Counties will now receive 40.51% with 38.08% shared among the counties by averaging the following proportions:

1. The proportion that the population of each county bears to the total state population.
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For those counties receiving less under the population formula than under the original property valuation formula, an additional 2.43% will be distributed to counties to hold them harmless from the change in distribution methods. Any amount left after this distribution will be distributed to counties based on the new formula. (EFA - June 30, 1994)

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# **CHAPTER III**

## **OTHER GROSS RECEIPTS TAXES**

## INSURANCE PREMIUM TAX

<b>TAX YIELD:</b>	<u>Fiscal Year</u>	<u>Net Collections</u> <sup>1/</sup>
	1993-1994	\$123,739,084

DISTRIBUTION OF INSURANCE TAX COLLECTIONS			
<u>Fiscal Year</u>	<u>General Fund</u>	<u>Transfer to DPS and Highway Patrol Funds</u>	<u>Transfer to Fire Districts</u>
1993-94	\$110,731,681	\$7,988,541	\$5,018,862

There were not any changes enacted to this tax in 1994.

<sup>1/</sup> In FY 1993 \$107,929 was collected after the transfers were made to the DPS/Highway Patrol Funds and the Fire Districts. Therefore, these monies are carried forward as a beginning balance for distribution in FY 1994.

## LIEU TAX ON WORKERS' COMPENSATION INSURANCE PREMIUMS

TAX YIELD:	<u>Fiscal Year</u>	<u>Net Collections</u>
	1993-94	\$11,655,332

DISTRIBUTION OF LIEU TAX ON WORKERS' COMPENSATION INSURANCE PREMIUMS <sup>1/</sup>			
<u>Fiscal Year</u>	<u>Administrative Fund</u>	<u>Special Fund</u>	<u>Administrative Fund Transfer to Special Fund</u>
1993-94	\$11,653,700	\$1,632	\$ -0-

There were not any changes enacted to this tax in 1994.

<sup>1/</sup> The tax rate, effective January 1, 1994, was set at 1.25% for the Administrative Fund and 0.00% for the Special Fund.



## PARI-MUTUEL TAX

<u>TAX YIELD:</u>	<u>Fiscal Year</u>	<u>Pari-Mutuel Taxes</u>	<u>Licenses</u>
	1993-94	\$8,507,000	\$49,200

### DISTRIBUTION OF PARI-MUTUEL TAXES

Livestock & Agriculture Promotion Fund	\$1,020,800
Breeders Award Fund	\$808,100
County Fair Racing Fund	\$297,700
Racing Administration of Betterment Fund	\$42,500
Racing Betterment Fund	\$723,000
Coliseum Capital Outlay Fund	\$382,800
Stallion Award Fund	\$42,500
State General Fund	\$5,189,600

### 1994 TAX LAWS

Laws 1994, Chapter 370 established minimum funding levels for the funds receiving state pari-mutuel racing revenues:

1. Livestock & Agriculture Promotion Fund -- 12% or \$1.2 million, whichever is greater.
2. Breeders Award Fund -- 9.5% or \$800,000, whichever is greater.
3. County Fair Racing Fund -- 3.5% but not less than \$300,000.
4. Racing Administration of Betterment Fund -- 0.5% or \$45,000, whichever is greater.
5. Racing Betterment Fund -- 8.5% or \$800,000, whichever is greater.
6. Coliseum Capital Outlay Fund -- 4.5% or \$400,000, whichever is greater.
7. Stallion Award Fund -- 0.5% or \$40,000, whichever is greater.

The act also established an Agricultural Consulting and Training Fund in the State Treasury. The State Treasurer shall deposit 1% of the pari-mutuel revenues received by the state into the fund. The Arizona Department of Agriculture, subject to legislative appropriation, shall use the monies in the fund for the Agricultural Consulting and Training Program established by this act.

The act lowered the state share of the pari-mutuel handle received from dog racing according to the following schedules:

Maricopa County:

1. FY 1995 -- 7.50%
2. FY 1996 -- 6.84%
3. FY 1997 -- 6.18%
4. FY 1998 -- 5.50%

(Continued)

## Pari-Mutuel Tax

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All other counties:

1. FY 1995 -- 5.50% of the first \$100,000 and 7.50% over \$100,000
2. FY 1996 -- 5.50% of the first \$100,000 and 6.84% over \$100,000
3. FY 1997 -- 5.50% of the first \$100,000 and 6.18% over \$100,000
4. FY 1998 -- 5.50% of the first \$100,000 and 5.50% over \$100,000

The act reinstated the Capital Improvements Program, which expired June 30, 1992, for horse tracks in counties other than Maricopa and Pima retroactive to June 29, 1992, and continuing through June 30, 1999. The percentage of the handle paid to the state will decrease by 2%, for eligible tracks, starting in FY 1996. Projects approved prior to either of the expiration dates may continue until their completion, and the decrease in the percentage paid to the state shall continue until sufficient funds have been obtained for completion of the approved capital improvement.

The act provided that beginning from and after June 30, 1995, the percentage of the handle paid to the state does not apply to monies handled in a pari-mutuel pool for wagering on simulcasts of out-of-state races.

The bill also provided a formula for providing a hardship tax credit for eligible racetracks beginning in FY 1996. The hardship tax credit is determined by:

1. Establishing a base year by determining the highest handle generated by a racetrack between FY 1990 and FY 1994.
2. Multiplying the racetrack's total state Pari-Mutuel Tax payments or tax liability in the previous year by the percentage decline from the base year.
3. Multiplying the amount from step 2 by 3.

A racetrack is not required to pay tax in the current year until the balance of the hardship credit has been used. Of the hardship tax credit received by greyhound tracks, 25% is to be used for purses in a manner determined by the racing commission.

The act provided a Transaction Privilege Tax exemption equal to one-third of the amount received by a racetrack from the total handle during FY 1996, two-thirds for FY 1997, and the full amount beginning in FY 1998. The amount held by racetracks for the payment of purses is already exempt. (E - July 17, 1994)

## TELECOMMUNICATIONS SERVICE EXCISE TAX

TAX YIELD:			Telecommunications	
	<u>Fiscal Year</u>	<u>911 Excise Tax</u>	<u>Devices</u>	<u>Total</u>
	1993-94	\$5,320,210	\$3,395,370	\$8,715,580

DISTRIBUTION OF TELECOMMUNICATIONS SERVICE EXCISE TAX		
<u>Fiscal Year</u>	<u>Emergency Telecommunication Services Revolving Fund</u>	<u>Telecommunication Fund for the Deaf</u>
1993-94	\$5,320,210	\$3,395,370

### 1994 TAX LAWS

Laws 1994, Chapter 88 increased from 0.8% to 1.6% the amount of tax that can be levied on the gross proceeds of sales or gross income derived from the business of providing exchange access services. The tax is used for the purposes of financing telecommunication devices for the deaf and severely hearing and speech impaired. The act contains provisions defined in Article IX, Section 22, Constitution of Arizona that requires the affirmative vote of at least two-thirds of both houses. (E - April 12, 1994)

## BINGO LICENSE AND LIEU TAX

TAX YIELD:	<u>Fiscal Year</u>	<u>Gross Collections</u>	<u>Lieu Tax</u>	<u>License &amp; Renewal Fees</u>
	1993-94	\$923,834	\$895,448	\$28,387
DISTRIBUTION: State General Fund				

There were not any changes enacted to this tax in 1994.

## **BOXING RECEIPTS TAX**

<b>TAX YIELD:</b>	<u>Fiscal Year</u>	<u>Total Collections</u>	<u>Licenses</u>
	1993-94	\$20,900	\$7,500
<b>DISTRIBUTION: State General Fund</b>			

There were not any changes enacted to this tax in 1994.

## STATE COMPENSATION FUND IN-LIEU TAX

TAX YIELD:	<u>Fiscal Year</u>	<u>Gross Collection</u> <sup>1/</sup>
	1993-94	\$ -0-

There were not any changes enacted to this tax in 1994.

<sup>1/</sup> The SCF claimed that under the language in Laws 1990 Chapter 249, there would have been no federal tax liability; therefore, no amount was ever transferred even though the Legislature approved a 1991 appropriation of \$500,000 to pay for the in-lieu tax. In response, the Legislature passed H.B. 2001 in 1992 with the intent to "level the playing field" and to lessen SCF's advantage over private insurers as recommended by the State Auditor General. The SCF filed a lawsuit against the State of Arizona claiming that H.B. 2001 was unconstitutional. Laws 1993, Chapter 115 repealed the equivalency and alternative minimum tax requirements as the result of a ruling by the state Supreme Court. The court ruled the alternative minimum tax of \$500,000 was unconstitutional, and because the federal equivalency tax was not severable it, too, was invalid.

# **CHAPTER IV**

## **INCOME AND ESTATE TAXES**

## INDIVIDUAL INCOME TAX

<b>TAX YIELD:</b>	<u>Fiscal Year</u>	<u>Net Collections</u>
	1993-94	\$1,405,482,556

DISTRIBUTION OF INDIVIDUAL AND CORPORATE INCOME				
<u>Fiscal Year</u>	<u>Total Net Collections</u>	<u>State General Fund</u>	<u>Urban Revenue Sharing</u>	<u>Voluntary Contribution Funds</u>
1993-94	\$1,708,098,853	\$1,521,964,032	\$185,405,279	\$729,542

### 1994 TAX LAWS

**Laws 1994, Chapter 34** clarified that taxpayers with a gross income of \$15,000 or over, regardless of the amount of taxable income, are required to file a tax return. The act defined "gross income" as gross income defined in the Internal Revenue Code minus income excluded from taxation at the state level.' (RTYBFA - December 31, 1993)

**Laws 1994, Chapter 41** contained the major components of the tax reduction package known as the Middle Income Tax Relief Act (MITRA) of 1994. The act contained the following major provisions affecting the Individual Income Tax:

The act reduced the Individual Income Tax rates levied on taxable income for both residents and nonresidents. (ETYBFA - December 31, 1993)

The act amends the Urban Revenue Sharing Fund which distributes, to incorporated cities and towns, an amount equal to 12.8% of the net proceeds of State Income Taxes for the fiscal year two years prior to the current fiscal year. Beginning in FY 1997, the amount distributed will be equivalent to 13.6% of the net proceeds. (E - July 17, 1994)

The act conformed the income tax for tax years 1994, 1992 and 1991 to the United States Internal Revenue Code in effect for those tax years. This act also conformed, except as provided in A.R.S. § 42-106, the income tax for tax year 1993 to the United States Internal Revenue Code in effect for tax year 1993.

The act added A.R.S. § 42-106 that contains the selective conformity provisions for tax year 1993 (for details on this bill, see Page 3). (E - July 17, 1994)

**Laws 1994, Chapter 45** established provisions for individual medical savings accounts that taxpayers may use to pay eligible medical expenses from and after December 31, 1994. A taxpayer may subtract the amount of deposits to an individual medical savings account during the taxable year when computing Arizona's adjusted gross income. Employers may also contribute to the medical savings account.

(Continued)



## Individual Income Tax

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The individual medical savings account will be established as a trust and placed with a trustee. The account holder may withdraw monies from the individual medical savings account on the last business day of the calendar year without incurring a penalty that may be used for expenses other than those allowed. However, such a withdrawal is considered income for the purposes of computing Arizona's adjusted gross income. Amounts withdrawn at any other time will be subject to penalty. The trustee of the medical savings account will file such reports as are necessary.

In each taxable year, total deposits made to the medical savings account from either the account holder or the account holder's employer shall not exceed the following:

1. For tax year 1995, either:
  - a. Not more than \$2,000 for the account holder.
  - b. Not more than \$2,000 for the account holder plus not more than \$1,000 for each of the account holder's dependents, up to a maximum of 2 dependents.
2. For subsequent taxable years, the Department of Revenue shall adjust the maximum deposits according to the annual change in the GDP deflator.

The Individual Income Tax code was revised to include, in Arizona's gross income, amounts withdrawn by the taxpayer from an individual medical savings account established in the taxpayer's name. A taxpayer may subtract from Arizona's gross income:

1. The amount of contributions made by the taxpayer's employer during the tax year to the extent that the employer contributions are included in the taxpayer's gross income.
2. The amount deposited by the taxpayer during the taxable year.
3. The account holder's employer may subtract the amount of contributions made by the employer to an individual medical savings account established on the employee's behalf to the extent that the contributions are not deductible under the Internal Revenue Code.

The expense for medical care that are paid or reimbursed from the taxpayer's medical savings account shall not be included in a taxpayer's itemized deductions.

A trust established as a medical savings account shall not add, in computing Arizona's taxable income, the amount of interest income received on obligations located outside of Arizona. A trust established as a medical savings account may subtract from Arizona's gross income that income earned by the trust during the tax year to the extent the income is included in the trust's Arizona gross income.

The Director of the Department of Administration shall provide an individual medical savings account option for state employees. (E - July 17, 1994)

(Continued)

## **Individual Income Tax**

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**Laws 1994, Chapter 60** provided that confidential tax information may be disclosed to agencies, officials and organizations that grant substantially similar privileges to the Department of Revenue. Confidential tax information may be disclosed upon the establishment of a written agreement between the department and the following (E - July 17, 1994):

1. The United States Internal Revenue Service, the United States Bureau of Alcohol, Tobacco and Firearms, the United States Drug Enforcement Agency and the Federal Bureau of Investigation.
2. A state tax or unclaimed property official of another state.
3. An organization of states that operates an information exchange for tax administration purposes.
4. An agency, official or organization of a foreign country with responsibilities that are comparable to those listed in items 1, 2 or 3.

**Laws 1994, Chapter 90** included in Arizona's adjusted gross income for individuals and Arizona taxable income for corporations any amount of agricultural water conservation expenses that were deducted pursuant to the Internal Revenue Code, for which a credit is claimed. The act provided a credit to both individuals and corporations, against taxes imposed for expenses the taxpayer incurred during the taxable year to purchase and install an agricultural water conservation system. The amount of credit is equal to 75% of the qualifying expenses. To qualify for the credit:

1. The agricultural water conservation system must be primarily designed to substantially conserve water on land that is used by the taxpayer or the taxpayer's tenant to:
  - a. Produce crops, fruits or other agricultural products.
  - b. Raise, harvest or grow trees.
  - c. Sustain livestock.
2. The expense must be consistent with a water conservation plan that the taxpayer has filed and that is in effect with the United States Department of Agriculture Soil Conservation Service.

The tax credits for partnerships and "S" corporations are to be pro-rated and there is a 5-year carry forward provision. The credit allowed by this section is in lieu of any allowance for state tax purposes for a deduction for such expenses allowed by the Internal Revenue Code. (RTYBFA - December 31, 1993)

**Laws 1994, Chapter 117** provided Individual Income Tax credits for solar energy devices and Individual and Corporate Income Tax credits for pollution control equipment, and construction materials incorporated into qualifying facilities. The act clarified that a taxpayer who claims a credit may not claim a credit for the same equipment under another section.

An Individual and Corporate Income Tax credit is established equal to 10% of the purchase price for qualified real and personal property used to control or prevent pollution. For tax years 1995 and 1996, the maximum credit is \$750,000. For all subsequent tax years, the maximum credit is \$500,000. Co-owners may each claim a pro rata share of the credit allowed and may carry the credit forward for not more than 5 taxable years. Depreciation or amortization in excess of the income tax credit may be subtracted for income tax purposes.

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## **Individual Income Tax**

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An Individual and Corporate Income Tax credit is established equal to 5% of the purchase price of materials used to build a new facility or expand an existing facility within the state that is predominantly used for manufacturing, mining, or research and development. The total cost of the construction must be in excess of \$5 million and the construction must begin on or after January 1, 1994 and completed by December 3, 1999. Co-owners may each claim a pro rata share of the credit allowed and may carry the credit forward for not more than 5 taxable years.

The Individual Income Tax credit for solar energy devices is equal to 25% of the cost of the device. The maximum credit in a taxable year may not exceed \$1,000, and the aggregate credit over different tax years is \$1,000 for the same residence. Taxpayers may carry forward the credit for not more than 5 consecutive tax years. A husband and wife who file separately may each claim half of the tax credit that would have been allowed on a joint return. (ETYBFA - December 31, 1994)

Laws 1994, Chapter 119 provided forgiveness of penalties and interest assessed against an employer for failing to make timely filing and payment of withholding tax with respect to any taxable years beginning from and after December 31, 1985 if the following qualifications apply:

1. The employer has paid all withholding taxes due on or before the date of the application.
2. The delinquency resulted solely from incorrect application of the payment schedule and not from failure to withhold the tax.

An employer that meets the qualifications may apply, on or before December 31, 1994. The Department of Revenue will promptly process all applications on or before June 30, 1995. This act is repealed from and after June 30, 1995. (ETYBFA - December 31, 1985)

Laws 1994, Chapter 248 provided Individual and Corporate Income Tax credits for expenses incurred by a taxpayer, who is not liable or responsible for a corrective action as an owner or operator of an underground storage tank, but takes corrective action with respect to the release of a regulated substance from an underground storage tank. The amount of the credit is equal to 10% of the total amount spent by the taxpayer to take corrective action certified by the Department of Environmental Quality as having been performed and meeting necessary requirements. The credit is not allowed for corrective action costs reimbursed by the Department of Environmental Quality. (E- July 17, 1994)

Laws 1994, Chapter 333 was the Annual Tax Corrections Act that made technical and conforming changes to the tax code. (E - July 17, 1994)

Laws 1994, Chapter 353 clarified that an Individual Income Tax subtraction is available for expenses related to the purchase and installation of a qualified wood stove, wood fireplace or gas fired fireplace and non-optional equipment directly related to its operation. (RTYBFA - December 31, 1993)

The act also provided a Corporate and Individual Income Tax credit, in lieu of a subtraction, for the purchase of one or more new alternative fuel vehicles or expenses incurred from converting conventional vehicles. The credit is \$1,000 per conversion or purchase for tax years 1994, 1995 and 1996; \$500 for 1997; and \$250 for 1998.

(Continued)

## **Individual Income Tax**

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Alternative fuel means:

1. Liquified petroleum gas.
2. Natural gas.
3. Hydrogen.
4. Electricity.
5. Solar Energy.
6. Alcohol fuels that contain not less than 85 % alcohol by volume.

Co-owners may each claim a pro rata share of the credit allowed, and may carry the credit forward for not more than 5 taxable years. (ETYBFA - December 31, 1993 and before January 1, 1999)

**Laws 1994, Chapter 354** clarified that when computing Arizona's 1990 adjusted gross income, the amount of the Federal Income Tax refund received in 1990 shall be added to Arizona's gross income in 1990 only to the extent that the refund is attributable to a prior year's Federal Income Tax subtraction which was in excess of that year's Federal Income Tax. (E - July 17, 1994)

**Laws 1994, Chapter 375** provided changes to the Taxpayers' Bill of Rights including provisions on installment payments of tax, abatement of penalties, and reimbursement of fees and other costs. The reimbursement of fees and other costs section is effective after December 31, 1994. (E - July 17, 1994)

## CORPORATION INCOME TAX

TAX YIELD:	<u>Fiscal Year</u>	<u>Net Collections</u>
	1993-94	\$302,616,297
DISTRIBUTION: See Individual Income Tax		

### 1994 TAX LAWS

Laws 1994, Chapter 41 contained the major components of the tax reduction package known as the Middle Income Tax Relief Act (MITRA) of 1994. The act contained the following major provisions affecting Corporate Income Taxes:

The act reduced the Corporate Income Tax rate levied on Arizona's taxable income for every corporation, unless exempted, to 9% of net income or \$50, whichever is greater. (ETYBFA - December 31, 1993)

The act allowed affiliated groups of corporations to elect to file income tax returns on a consolidated basis. (RTYBFA - December 31, 1985)

The act conformed the income tax for tax years 1994, 1992 and 1991 to the United States Internal Revenue Code in effect for those tax years. This act also conformed, except as provided in A.R.S. § 42-106, the income tax for tax year 1993 to the United States Internal Revenue Code in effect for tax year 1993.

The act added A.R.S. § 42-106 that contains the selective conformity provisions for tax year 1993 (for details on this bill, see Page 3). (E - July 17, 1994)

Laws 1994, Chapter 46 provided that an overpayment of income tax due to an "S" corporation for any year that resulted from an improper inclusion of income can be used as an offset in computing any deficiency in an overlapping year for the shareholders of the "S" corporation. The offset provided for shall not be allowed after the expiration of 7 years from the due date of the return on which the overpayment is determined. (RTYBFA - December 31, 1986)

Laws 1994, Chapter 60 provided that confidential tax information may be disclosed to agencies, officials and organizations that grant substantially similar privileges to the Department of Revenue. Confidential tax information may be disclosed upon the establishment of a written agreement between the department and the following (E - July 17, 1994):

1. The United States Internal Revenue Service, the United States Bureau of Alcohol, Tobacco and Firearms, the United States Drug Enforcement Agency and the Federal Bureau of Investigation.
2. A state tax or unclaimed property official of another state.
3. An organization of states that operates an information exchange for tax administration purposes.
4. An agency, official or organization of a foreign country with responsibilities that are comparable to those listed in items 1, 2 or 3.

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## **Corporate Income Tax**

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**Laws 1994, Chapter 90** included in Arizona's adjusted gross income for individuals and Arizona's taxable income for corporations any amount of agricultural water conservation expenses that were deducted pursuant to the Internal Revenue Code, for which a credit is claimed. The act provided a credit to both individuals and corporations, against taxes imposed for expenses the taxpayer incurred during the taxable year to purchase and install an agricultural water conservation system. The amount of credit is equal to 75% of the qualifying expenses. To qualify for the credit:

1. The agricultural water conservation system must be primarily designed to substantially conserve water on land that is used by the taxpayer or the taxpayer's tenant to:
  - a. Produce crops, fruits or other agricultural products.
  - b. Raise, harvest or grow trees.
  - c. Sustain livestock.
2. The expense must be consistent with a water conservation plan that the taxpayer has filed and that is in effect with the United States Department of Agriculture Soil Conservation Service.

The tax credits for partnerships and "S" corporations are to be pro rated and there is a 5-year carry forward provision. The credit allowed by this action is in lieu of any allowance for state tax purposes for a deduction for such expenses allowed by the Internal Revenue Code. (RTYBFA - December 31, 1993)

**Laws 1994, Chapter 117** provided Individual Income Tax credits for solar energy devices and Individual and Corporate Income Tax credits for pollution control equipment, and construction materials incorporated into qualifying facilities. The act clarified that a taxpayer who claims a credit may not claim a credit for the same equipment under another section.

An Individual and Corporate Income Tax credit is established equal to 10% of the purchase price for qualified real and personal property used to control or prevent pollution. For tax years 1995 and 1996, the maximum credit is \$750,000. For all subsequent tax years, the maximum credit is \$500,000. Co-owners may each claim a pro rata share of the credit allowed and may carry the credit forward for not more than 5 taxable years. Depreciation or amortization in excess of the income tax credit may be subtracted for income tax purposes.

An Individual and Corporate Income Tax credit is established equal to 5% of the purchase price of materials used to build a new facility or expand an existing facility within the state that is predominantly used for manufacturing, mining, or research and development. The total cost of the construction must be in excess of \$5 million and the construction must begin on or after January 1, 1994 and completed by December 3, 1999. Co-owners may each claim a pro rata share of the credit allowed and may carry the credit forward for not more than 5 taxable years' income tax liability.

The Individual Income Tax credit for solar energy devices is equal to 25% of the cost of the device. The maximum credit in a taxable year may not exceed \$1,000, and the aggregate credit over different tax years is \$1,000 for the same residence. Taxpayers may carry forward the credit for not more than 5 consecutive tax years. A husband and wife who file separately may each claim half of the tax credit that would have been allowed on a joint return. (ETYBFA - December 31, 1994)

**Laws 1994, Chapter 119** provided forgiveness of penalties and interest assessed against an employer for failing to make timely filing and payment of withholding tax with respect to any taxable years beginning from and after December 31, 1985 if the following qualifications apply:

(Continued)

## **Corporate Income Tax**

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1. The employer has paid all withholding taxes due on or before the date of the application.
2. The delinquency resulted solely from incorrect application of the payment schedule and not from failure to withhold the tax.

An employer that meets the qualifications may apply, on or before December 31, 1994. The Department of Revenue will promptly process all applications on or before June 30, 1995. This act is repealed from and after June 30, 1995. (ETYBFA - December 31, 1985)

Laws 1994, Chapter 248 provided Individual and Corporate Income Tax credits for expenses incurred by a taxpayer, who is not liable or responsible for a corrective action as an owner or operator of an underground storage tank, but takes corrective action with respect to the release of a regulated substance from an underground storage tank. The amount of the credit is equal to 10% of the total amount spent by the taxpayer to make corrective action certified by the Department of Environmental Quality as having been performed and meeting necessary requirements. The credit is not allowed for corrective action costs reimbursed by the Department of Environmental Quality. (E - July 17, 1994)

Laws 1994, Chapter 333 was the Annual Tax Corrections Act that made technical and conforming changes to the tax code. (E - July 17, 1994)

Laws 1994, Chapter 353 clarified that an Individual Income Tax subtraction is available for expenses related to the purchase and installation of a qualified wood stove, wood fireplace or gas-fired fireplace and non-optional equipment directly related to its operation. (RTYBFA - December 31, 1993)

The act also provided a Corporate and Individual Income Tax credit, in lieu of a subtraction, for the purchase of one or more new alternative fuel vehicles or expenses incurred from converting conventional vehicles. The credit is \$1,000 per purchase or conversion for tax years 1994, 1995 and 1996; \$500 for 1997; and \$250 for 1998.

Alternative fuel means:

1. Liquified petroleum gas.
2. Natural gas.
3. Hydrogen.
4. Electricity.
5. Solar Energy.
6. Alcohol fuels that contain not less than 85% alcohol by volume

Co-owners may each claim a pro rata share of the credit allowed, and may carry the credit forward for not more than 5 taxable years. (ETYBFA - December 31, 1993 and before January 1, 1999)

## ESTATE AND GENERATION-SKIPPING TRANSFER TAX

TAX YIELD:	<u>Fiscal Year</u>	<u>Net Collections</u>
	1993-94	\$40,616,732
DISTRIBUTION: State General Fund		

There were not any changes enacted to this tax in 1994.





# **CHAPTER V**

## **GENERAL PROPERTY TAXES**

## REAL AND SECURED PERSONAL PROPERTY TAX

TAX YIELD:	Fiscal Year	Total Collections	Real & Secured Property Tax Collections	Unsecured Property Tax Collections	Other Property Tax Collections
	1993-1994	\$186,193,174	\$174,249,196	\$7,084,564	\$4,859,414
DISTRIBUTION: State General Fund					

### 1994 TAX LAWS

**Laws 1994, Chapter 1** continued the state property tax rate for education purposes at 47¢ per \$100 of assessed valuation for tax year 1994. The state tax rate for general purposes remained at zero for tax year 1994. (E - July 17, 1994)

**Laws 1994, Chapter 20** required that property taxes on Real and Secured Property which total \$25 or less are due and payable on October 1. The prior ceiling was \$10 or less. (E - July 17, 1994)

**Laws 1994, Chapter 41** contained the major components of the tax reduction package known as the Middle Income Tax Relief Act (MITRA) of 1994. The act included the following changes to the classification of property for taxation (E - July 17, 1994):

Class 3 (commercial and industrial) and Class 4 (agricultural) were broken into 2 subclasses consisting of (R) real property and improvements and (P) personal property.

Phased down by 1% per year, the assessment ratio for Class 1 (mines) and Class 2 (utilities) from 30% of full cash value in tax year 1994 to 25% in tax year 1999 and thereafter.

Increased the maximum thresholds at which Class 3 and Class 4 personal property is assessed at 1%. The threshold is \$3,000 in tax year 1995, \$6,000 in tax year 1996; and \$10,000 in tax year 1997 and thereafter.

Expanded the accelerated depreciation schedule on Class 3 personal property, as passed by Laws 1993, Second Special Session, Chapter 9, to include Class 4 personal property and made the schedule permanent.

The act freezes the phase-out of the Homeowners' Property Tax rebate for school district primary property taxes. The percentage will remain at 35% for 1994 and thereafter (for details on this bill, see Page 3).

**NOTE:** Laws 1994, Chapters 41, 102, 293, 309 and 359 all makes changes to property tax classification and assessment.

**Laws 1994, Chapter 63** provided for a refund or forgiveness of property taxes paid or due on historical society property for the 1992 tax year. The historical society must submit a claim for refund to the County Treasurer within 60 days after the effective date of this act. Property taxes due but not paid by any historical society, that is exempt from taxation, for the 1992 tax year are forgiven and no longer due and payable. (E - July 17, 1994)

**Laws 1994, Chapter 65** provided that if the Assessor initially determines the valuation of property, for state property tax purposes, by using a computerized data processing or valuation program, and the change in valuation

(Continued)

## **Real and Secured Personal Property Tax**

in any tax year is more than 15% above or below the valuation found for the same parcel of property in the preceding tax year, the Assessor shall review the valuation to determine if the change in valuation reflects the current status and conditions affecting the property before mailing the notice of valuation. This does not apply in the case of parcel splits or consolidations, construction or destruction or improvements, changes in use or classification of the property, or other occurrences that would account for the change in valuation. (E - July 17, 1994)

Laws 1994, Chapter 66 provided that written notices of valuation, required to be sent out to property owners by the County Assessors, include a form with instructions on the procedure and deadlines for appealing the assessed valuation shown on the notice. Class 5 appeal forms shall contain simplified instructions and be separate from the appeal form for other classes of property. (E - July 17, 1994)

Laws 1994, Chapter 70 amended the definitions as to what constitutes an enterprise zone to include:

1. "Minority Business" -- a business of which a majority is owned by African-Americans, persons of Hispanic or Latin American ancestry and persons of Indian, Asian or other minority origin or descent.
2. "Small Business" -- a business with a net worth of no more than \$6,000,000 or a business with no more than 100 employees within the zone.
3. "Women-Owned Business" -- a business of which a majority of the business is owned by women.
4. Clarified the definition of "Qualified Manufacturing Business" in an enterprise zone:
  - a. A small business, minority-owned business or a woman-owned business.
  - b. At least a \$2,000,000 fixed asset investment has been made after July 1, 1993, by the business or by another entity on behalf of the qualified business in property within an enterprise zone that is used by a qualified business.

The act provided that the increase in valuation resulting from a fixed asset investment of not less than \$2,000,000 in property within an enterprise zone which is used or owned by a qualified manufacturing business shall be classified as Class 8 property. (E - July 17, 1994)

Laws 1994, Chapter 100 provided that if the ownership of agricultural property changes, an agricultural use application form must be filed by the new owner within 60 days after the change in ownership to maintain the agricultural use status. If all or part of the property ceases to qualify as agricultural property, the owner at the time of the change shall notify the Assessor within 60 days of the change. If the owner fails to provide the notification required, the property shall immediately be classified as nonagricultural property.

In addition, the act allows for certification of property as agricultural property, and a refund of excess taxes paid or the forgiveness of deficient taxes, for tax year 1993, if:

1. The property was acquired after September 16, 1992, and the property was used for agricultural purposes.
2. The prior owner failed to file the affidavit or annual certification of eligibility for tax year 1993.

(Continued)

## **Real and Secured Personal Property Tax**

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3. The current owner, based upon information provided by the County Assessor, filed a timely application under Laws 1993, chapter 100.
4. The current owner, based upon information provided by the County Assessor, failed to appeal the incorrect classification of the property for tax year 1993 to the Superior Court during the property tax appeal period.
5. The current owner was left without a remedy when Laws 1993, Chapter 100, Section 2 was determined by the court to be invalid.

If a completed agricultural use application was filed before September 17, 1993, and the property qualified as agricultural use property, a new application does not have to be filed unless the ownership of the property changes. This act is repealed from and after December 31, 1994. (E - July 17, 1994)

**NOTE:** Section 3 of Laws 1994, Chapter 100, relating to reclassification of property as agricultural property, was included in Laws 1994, Chapter 330 as Section 5. It was passed as an emergency measure and became effective April 26, 1994. Both sections are repealed from and after December 31, 1994.

Laws 1994, Chapter 105 clarified that the purchaser of a tax lien may bring action to foreclose the right to redeem in Superior Court in the county in which the property is located. At least 30 days before filing an action to foreclose the right to redeem, the purchaser shall send a Notice of Intent by certified mail to the property owner and to the Treasurer of the county in which the real property is located. The notice shall include the property owner's name, the real property tax parcel identification number, the legal description of the real property, the certificate of purchase number, and the proposed date of filing the action. (E - July 17, 1994)

Laws 1994, Chapter 112 exempted property owned by a United States veterans' organization that qualifies as a charitable organization and recognized under either Section 501(C)(3) or 501(C)(19) of the Internal Revenue Code, if the property is used exclusively for those purposes, and is not used or held for profit. (E - July 17, 1994)

Laws 1994, Chapter 156 provided for determination of golf course property values. The land shall now be valued at \$500 per acre. Improvement value is established by the Department of Revenue's 1988 per hole cost for the grade of golf course as described in the Assessment Practices Manual for Golf Courses Assessment, effective January 1, 1986. The per hole cost shall be multiplied by the number of holes included. The act provided guidelines to uniformly adjust the value for economic obsolescence.

By August 1 of each year, the County Assessor shall mail a form, prescribed by the Department of Revenue to the last known address of each golf course owner or manager. The form shall reflect the number of rounds played by month for the most recent 12 months ending July 31. The form shall be returned to the County Assessor by September 30 to receive the economic obsolescence adjustment.

For tax year 1995, the 1988 per hole improvement cost shall be used in valuing golf courses. Every tax year after 1995, the per hole improvement costs shall be adjusted by the GDP Deflator. Per hole improvement cost values include landscaping, bridges, lakes, lake liners, practice ranges, irrigation systems, paths, golf greens and tees. The Legislature shall receive a report every 3 years from the Valuation Technical Advisory Committee regarding any recommended changes to the golf course valuation formula. (E - July 17, 1994)

Laws 1994, Chapter 167 clarified that any subsequent interest, fees and penalties from a property tax liability does not depend on receipt of the tax statement by either the mortgagor (property owner) or mortgagee (mortgage

(Continued)

## **Real and Secured Personal Property Tax**

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company). When a mortgagee either continues to receive or possesses an unsatisfied tax statement from the County Treasurer after the satisfaction of the mortgage, the mortgagee shall either:

1. Return the tax statement to the County Treasurer within 30 working days, together with the last known address of the mortgagor as shown on the records of the mortgagee.
2. Forward the tax statement or current taxes due information to the mortgagor and notify the County Treasurer of this action.

If a mortgagee fails to comply, and as a result the tax on the mortgagor's property becomes delinquent, the mortgagee is liable to the mortgagor for all interest and penalties for the delinquent tax. (E - July 17, 1994)

Laws 1994, Chapter 191 codified in statute the Department of Revenue's current valuation method for operating railroad companies. On or before the first Monday in June each year, the Department of Revenue shall determine the valuations as of January 1, 1994, and each January 1 thereafter, as follows:

1. Determine the base value.
2. Compute the value change factor.
3. Compute the current year system full cash value by multiplying the base value by the value change factor.
4. Compute the allocation factor.
5. Multiply the current year system full cash value by the allocation factor.
6. Compute Arizona's full cash value by subtracting the Arizona licensed transportation equipment value from the value determined in step 5.

Formulas and definitions of all factors and terms used in computing the valuation of railroad property are defined in the act. To accurately assess on-going business operations, income and property adjustments may be necessary to minimize differences. Occurrences that may prompt such an adjustment are (E - July 17, 1994):

1. Extraordinary, unusual and infrequent events.
2. Material in nature, of a character different from the typical or customary business operations, not expected to recur frequently and not normally considered in evaluating the operation results of a business.
3. May include material increases or decreases in income and property as a result of such events as write-offs, write-downs and changes in accounting practices.

Laws 1994, Chapter 232 clarified that the County Attorney shall defend all locally valued and assessed property tax appeals. The act also clarified that the county that values and assesses the property which is subject to a Notice of Appeal shall be responsible for defending all defendants named in the appeal except in specified situations (R - July 17, 1993).

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## Real and Secured Personal Property Tax

Laws 1994, Chapter 239 required that if the Director of the Department of Revenue extends the mailing date for property tax notices, the extension applies to all property valued by the Assessor. Except for property that is listed as Class 5 property, the notice shall separately list the full cash value of the land and the improvements associated with the land. Also, requires the County Assessor to notify by November 15 all property owners of full cash value and limited value listed on tax rolls regardless of the valuation in the prior year. (E - July 17, 1994)

Laws 1994, Chapter 271 separated the determination of the value of telecommunication companies in the state for property tax purposes between those providing local services and all others. On or before the first Monday in June each year, the Department of Revenue shall determine the following valuations as of January 1, 1994, and each January 1 thereafter:

1. The valuation of all property, franchises and intangible values of telecommunication companies operating in the state and providing local telecommunication service at their full cash value.
2. The valuation of the property of other telecommunication companies operating in this state at its full cash value. Real estate shall be valued at market value and personal property shall be valued on a unitary basis at its historical cost less depreciation. For purposes of this paragraph:
  - a. Depreciation is computed on the table adopted by the Department of Revenue in its Personal Property Manual in effect on January 1, 1993 for the following categories:
    - 1.) Buildings with a 25 year life.
    - 2.) Cable with a 15 year life.
    - 3.) Telecommunication equipment with a 5 year life.
    - 4.) Any other telecommunication's property not included in items 1, 2 or 3 with a 7 year life.
  - b. "Historical cost" means the original cost as reported on the company's books and records.
  - c. "Other telecommunication company" means a telecommunication company that does not provide local telecommunication service in this state.
  - d. For cellular telecommunication companies, the "taxable unit" shall be the applicable metropolitan statistical area or rural statistical area and shall not include the value of any license issued by the Federal Communications Commission.

The Department of Revenue shall compute the valuation of other telecommunication companies and multiply the determined valuation by 140% for tax year 1994, and by 120% for tax year 1995 for property tax purposes. (R - January 1, 1994)

Laws 1994, Chapter 287 provided that an action involving the imposition, assessment or collection of a tax, including questions of law or fact relating to a dispute about taxes, may be filed in either the Tax Court or the Superior Court. Clarified that if a party to an action described above exercises its right to a change of Judge, the action shall not be reassigned to the Tax Court. The refusal of a taxpayer to obey a subpoena issued by the Director

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## Real and Secured Personal Property Tax

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of the Department of Revenue will be handled by the Superior Court. The act also rescinds the right of the Tax Court to publish and distribute decisions of the court which it finds are of general public interest. (E - July 17, 1994)

**Laws 1994, Chapter 293** clarified the classification of possessory interest property enacted during the 1993 legislative session. The act compensates for the Tax Court ruling that struck down several of the exemptions passed last year. The act makes clarifying changes to Class 12 property and creates a new Class 13 property for possessory interests located on public land. Classes 12 and 13 have 1% assessment ratios.

The following previously exempt properties were included in Class 12:

1. To the extent allowed pursuant to federal law, interests in property held in trust for an Indian or an Indian tribe by the United States Government.
2. Leases and permits issued for agricultural, commercial livestock, grazing or mineral development and permits issued for unpatented mining claims.
3. Interests in property used for a governmental program or activity to furnish public housing for elderly persons and persons of low or moderate income.
4. Interests in property for a governmental program or activity used to provide space or facilities for or in connection with a program, activity or function of another government entity.
5. Interests in property that is defined as "contractor-acquired property" or "government-furnished property" in the Federal Acquisitions Regulations (48 Code of Federal Regulations, Section 45-101, as amended or superseded by a federal law or regulation) and that is owned by the government and used to perform a government contract.

The new Class 13 include the following properties:

1. Improvements located on public property that are used primarily for athletic, recreational, entertainment, artistic, cultural or convention activities, provided that the improvements become the property of the owner of the public property upon termination of the possessory interest in the property.
2. Improvements located on public property provided:
  - a. That the improvements shall become the property of the owner of the public property upon termination of the possessory interest in the property.
  - b. That both the improvements and the public property are used for or in connection with aviation, including hangers, tie-downs, aircraft maintenance, sales of aviation-related items, charter and rental activities, parking facilities and restaurants, stores and other services located in a terminal.
  - c. That both the improvements and the public property are located on a state, county, city or town airport or a public airport.

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## Real and Secured Personal Property Tax

3. Property that is leased or acquired by the government and used to perform a government contract and that is defined as "contractor-acquired property" or "government-furnished property" in the federal acquisition regulations.
4. Property of a corporation organized by or at the direction of this state or a county, city or town to develop, construct, improve, repair, replace or own any property, improvements, buildings or other facility to be used for public purposes that the state, county, city or town pledges to lease or lease-purchase with state, county, or municipal special or general revenue and are not otherwise exempt.

The act also included a new section in the statutes that provides a property tax exemption to a possessory interest consisting of property or improvements leased from the state or its political subdivisions and used by an association or institution which has as its purpose educational or charitable activities. The association or institution shall have annual gross revenue of not more than \$50,000 and not be operated for profit.

The bill also provides that during FY 1994 and FY 1995, the Department of Revenue may provide technical and professional assistance to County Assessors in establishing the value of commercial, agricultural and vacant, residential and non-owner occupied residential properties for property tax purposes. The act provides Maricopa County with at least 20 full-time equivalent positions for one year, unless some other amount is agreed to by the Director of the Department of Revenue and the Chairmen of the appropriate County Board of Supervisors. The assistance provided for other counties will be determined by the Director of the Department of Revenue.

All possessory interests which were designated as exempt under Laws 1993, Chapter 91, Section 4 shall be assessed and taxed for tax year 1993 in accordance with the new Class 13 property regulations. No assessment shall be made for any tax year prior to 1993 for possessory interests which were previously designated as exempt. Nothing in this act allows this state or local governments to impose a tax on possessory interest in property held in trust for an Indian or an Indian tribe by the United States Government, if a court of competent jurisdiction issues a final order that this state or local government may not impose a tax on possessory interests in property held in trust for an Indian or Indian tribe by the United States Government. (RTYBFA - December 31, 1992)

Laws 1994, Chapter 323 established the State Board of Equalization and provided that the Department of Revenue may contest any proposed valuation or classification or any proposed change in valuations or classifications before any County Board of Equalization, the State Board of Tax Appeals, and the State board of Equalization. If a decision of an Assessor is, in the Director's opinion, erroneous, the Director may appeal the assessor's decision to the County Board of Equalization or State Board of Equalization within 25 days after the assessor's decision was mailed to the taxpayer and the Department of Revenue. (EFA - December 31, 1995)

The act also provided for correction of errors occurring in assessing or collecting property taxes, whether they inure to the benefit of the taxpayer or the government. (EFA - October 31, 1994)

For property that is valued by the Assessor, in the case of new construction, additions to or deletions from assessment parcels and changes in property use that occur after January 1 of the valuation year:

1. The Assessor shall notify the owner of the property of any change in the valuation on or before September 30 of the valuation year.

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## **Real and Secured Personal Property Tax**

2. Within 25 days after the date of the Assessor's notice, the property owner may appeal the valuation to the State Board of Equalization if the property is located in a county with a population of 500,000 persons or more, or to the County Board of Equalization if the property is located in any other county.
3. The State Board of Equalization and County Board of Equalization shall complete all hearings and issue all decisions with respect to changes in valuations on or before November 15 of the valuation year.
4. An appeal to the Tax Court relating to changes in assessments must be filed on or before December 15 of the valuation year.

A new owner of property that was valued, and which valuation was not appealed by the former owner of the property, may appeal the valuation to the Tax Court on or before December 15 of the year in which the taxes are levied. For purposes of this section, "valuation year" means the calendar year preceding the year in which the taxes are levied. (EFA - December 31, 1995)

The act provided public access to the valuation and assessment information and made conforming changes to the statutes required as a result of the creation of the State Board of Equalization. (E - July 17, 1994)

**Laws 1994, Chapter 326** established a study committee to study the effect of taxation of non-Indian property located on Indian reservations or in Indian country in this state by both Indian nations or tribes in this state; the laws governing taxation and the policies and economic impacts on this state and on Indian nations and tribes in this state. The act is repealed from and after December 31, 1996. (E - July 17, 1994)

**Laws 1994, Chapter 330** clarified that bed and breakfast properties, together with furnishings, consisting of no more than 4 rooms that are leased or rented to transient lodgers at no more than a 50% average annual occupancy rate, and that serve no more than a breakfast meal by the owner of the property, shall be classified as Class 6 property for tax purposes. (R - January 1, 1994)

The act also provided that if a taxpayer fails to prepare and deliver a correct list of property to the Assessor within the period specified by law, but within 30 days thereafter, the Assessor may abate all or part of the penalty for failing to prepare and deliver the list.

The act provided that the County Board of Equalization shall not consider property at the June meeting that has already been subject of an appeal for the current valuation year unless evidence is presented at the June meeting verifying that improvements to the property were in existence on the lien date, and the valuation of the improvements was not considered at any stage of the appeal prior to the June hearing. If an appeal is pending, any party may request the person or board hearing the appeal to consider any additional issue which could have been presented to the County Board of Equalization in the June meeting had no appeal been filed.

The act provided that the property shall not be considered, and the Board of Supervisors shall not approve, an adjustment in valuation if the property valuation has already been the subject of an appeal for the current valuation year unless it appears that the property was not valued, and/or there was a clerical error of defect in reporting or recording the valuation, or the property was destroyed or damaged prior to the lien date. If an appeal is pending, any party may request the person or board hearing the appeal to consider any additional issue which could have been supplied or corrected by the Assessor or the County Treasurer with prior approval of the Department of Revenue and the County Board of Supervisors had no appeal been filed. (E - April 26, 1994)

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## **Real and Secured Personal Property Tax**

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**Laws 1994, Chapter 333** was the Annual Tax Corrections Act that made technical and conforming changes to the tax code. (E - July 17, 1994)

**Laws 1994, Chapter 375** provided changes to the Taxpayers' Bill of Rights including provisions on installment payments of tax, abatement of penalties, and reimbursement of fees and other costs. The reimbursement of fees and other costs is effective after December 31, 1994. (E - July 17, 1994)

## UNSECURED PERSONAL PROPERTY TAX

**TAX YIELD:** See Real and Secured Personal Property Taxes

**DISTRIBUTION:** State General Fund

### 1994 TAX LAWS

Laws 1994, Chapter 20 required that property taxes on Real and Secured Property which total \$25 or less are due and payable on October 1. The prior ceiling was \$10 or less. (E - July 17, 1994)

Laws 1994, Chapter 41 contained the major components of the tax reduction package known as the Middle Income Tax Relief Act (MITRA) of 1994. The act included the following changes to the classification of property for taxation (E - July 17, 1994):

Class 3 (commercial and industrial) and Class 4 (agricultural) were broken into 2 subclasses consisting of (R) real property and improvements and (P) personal property.

Phased down by 1% per year, the assessment ratio for Class 1 (mines) and Class 2 (utilities) from 30% of full cash value in tax year 1994 to 25% in tax year 1999 and thereafter.

Increased the maximum thresholds at which Class 3 and Class 4 personal property is assessed at 1%. The threshold is \$3,000 in tax year 1995, \$6,000 in tax year 1996; and \$10,000 in tax year 1997 and thereafter.

Expanded the accelerated depreciation schedule on Class 3 personal property, as passed by Laws 1993, Second Special Session, Chapter 9, to include Class 4 personal property and made the schedule permanent.

The act freezes the phase-out of the Homeowners' Property Tax rebate for school district primary property taxes. The percentage will remain at 35% for 1994 and thereafter (for details on this bill, see Page 3).

**NOTE:** Laws 1994, Chapters 41, 102, 293, 309 and 359 all makes changes to property tax classification and assessment.

Laws 1994, Chapter 63 provided for a refund or forgiveness of property taxes paid or due on historical society property for the 1992 tax year. The historical society must submit a claim for refund to the County Treasurer within 60 days after the effective date of this act. Property taxes due, but not paid by any historical society that is exempt from taxation for the 1992 tax year are forgiven, and no longer due and payable. (E - July 17, 1994)

Laws 1994, Chapter 65 provided that if the Assessor initially determines the valuation of property, for state property tax purposes, by using a computerized data processing or valuation program, and the change in valuation in any tax year is more than 15% above or below the valuation found for the same parcel of property in the preceding tax year, the Assessor shall review the valuation to determine if the change in valuation reflects the current status and conditions affecting the property before mailing the notice of valuation. This does not apply in the case of parcel splits or consolidations, construction or destruction or improvements, changes in use or classification of the property, or other occurrences that would account for the change in valuation. (E - July 17, 1994)

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## Unsecured Personal Property Tax

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**Laws 1994, Chapter 66** provided that written notices of valuation, required to be sent out to property owners by the County Assessors, include a form with instructions on the procedure and deadlines for appealing the assessed valuation shown on the notice. Class 5 appeal forms shall contain simplified instructions and be separate from the appeal form for other classes of property. (E - July 17, 1994)

**Laws 1994, Chapter 70** amended the definitions as to what constitutes an enterprise zone to include:

1. "Minority Business" -- a business of which a majority is owned by African-Americans, persons of Hispanic or Latin American ancestry and persons of Indian, Asian or other minority origin or descent.
2. "Small Business" -- a business with a net worth of no more than \$6,000,000 or a business with no more than 100 employees within the zone.
3. "Women-Owned Business" -- a business of which a majority of the business is owned by women.
4. Clarified the definition of "Qualified Manufacturing Business" in an enterprise zone:
  - a. A small business, minority-owned business or a woman-owned business.
  - b. At least a \$2,000,000 fixed asset investment has been made after July 1, 1993, by the business or by another entity on behalf of the qualified business in property within an enterprise zone that is used by a qualified business.

The act provided that the increase in valuation resulting from a fixed asset investment of not less than \$2,000,000 in property within an enterprise zone which is used or owned by a qualified manufacturing business shall be classified as Class 8 property. (E - July 17, 1994)

**Laws 1994, Chapter 74** provided that beginning with the 1995 tax year, the owner of personal property valued by the Assessor may elect to apply a presumptive value to the property for purposes of taxation in lieu of a determination of full cash value. The property value shall not exceed \$25,000, and the owner must have reported the personal property in the 3 immediately preceding tax years. The initial presumptive value is the average value of the personal property reported by the owner for the 3 immediately preceding tax years or, if the value has increased in each of those 3 years, the value of the personal property in the immediately preceding tax year. The owner may continue to elect the presumptive value for 4 consecutive tax years if the valuation of the property does not exceed \$25,000 in any of those years. In each 5th succeeding tax year, the owner shall return a full property report to the Assessor, showing additions and deletions of personal property, and the valuation derived from this report is the presumptive value for the succeeding 4 tax years. The property statement issued by the Department of Revenue shall allow the owner of personal property the option of either returning the full property statement with respect to that property, or attesting that the value of the personal property does not exceed \$25,000 and electing the presumptive value. (EFA - December 31, 1994)

**Laws 1994, Chapter 100** provided that if the ownership of agricultural property changes, an agricultural use application form must be filed by the new owner within 60 days after the change in ownership to maintain the agricultural use status. If all or part of the property ceases to qualify as agricultural property, the owner at the time of the change shall notify the Assessor within 60 days of the change. If the owner fails to provide the notification required, the property shall immediately be classified as nonagricultural property.

In addition, the act allows for certification of property as agricultural property, and a refund of excess taxes paid or the forgiveness of deficient taxes, for tax year 1993, if:

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## Unsecured Personal Property Tax

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1. The property was acquired after September 16, 1992, and the property was used for agricultural purposes.
2. The prior owner failed to file the affidavit or annual certification of eligibility for tax year 1993.
3. The current owner, based upon information provided by the County Assessor, filed a timely application under Laws 1993, Chapter 100.
4. The current owner, based upon information provided by the County Assessor, failed to appeal the incorrect classification of the property for tax year 1993 to the Superior Court during the property tax appeal period.
5. The current owner was left without a remedy when Laws 1993, Chapter 100, Section 2 was determined by the court to be invalid.

If a completed agricultural use application was filed before September 17, 1993, and the property qualified as agricultural use property, a new application does not have to be filed unless the ownership of the property changes. This act is repealed from and after December 31, 1994. (E - July 17, 1994)

**NOTE:** Section 3 of Laws 1994, Chapter 100, relating to reclassification of property as agricultural property, was included in Laws 1994, Chapter 330 as Section 5. It was passed as an emergency measure and became effective April 26, 1994. Both sections are repealed from and after December 31, 1994.

Laws 1994, Chapter 102 established 11 classes of property for taxation by eliminating the old Class 11 and renumbering Class 12 as the new Class 11. The act exempted for taxation livestock, poultry, aquatic animals, and colonies of bees. For purposes of the act, poultry includes ratites.

**NOTE:** This act does not become effective unless the Constitution of Arizona is amended by a vote of the people at the next general election. The act was approved by the Governor on April 13, 1994.

Laws 1994, Chapter 112 exempted property owned by a United States veterans' organization that qualifies as a charitable organization and recognized under either Section 501(C)(3) or 501(C)(19) of the Internal Revenue Code, if the property is used exclusively for those purposes, and is not used or held for profit. (E - July 17, 1994)

Laws 1994, Chapter 187 provided that if the County Assessor believes that any person has not returned a full and complete list of all property in his possession or control, he may make such investigation as he deems necessary to ascertain the extent and value of the property. The Assessor shall conduct the investigation in such a manner that would discover and correct errors in the taxpayer's favor as well as discover and correct any errors not in the taxpayer's favor. The act eliminated the provision that allows the Assessor to charge the property owner for the cost of such an investigation. (E- July 17, 1994)

Laws 1994, Chapter 191 codified in statute the Department of Revenue's current valuation method for operating railroad companies. On or before the first Monday in June each year, the Department of Revenue shall determine the valuations as of January 1, 1994, and each January 1 thereafter, as follows:

1. Determine the base value.
2. Compute the value change factor.
3. Compute the current year system full cash value by multiplying the base value by the value change factor.

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## Unsecured Personal Property Tax

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4. Compute the allocation factor.
5. Multiply the current year system full cash value by the allocation factor.
6. Compute Arizona's full cash value by subtracting the Arizona licensed transportation equipment value from the value determined in step 5.

Formulas and definitions of all factors and terms used in computing the valuation of railroad property are defined in the act. To accurately assess on-going business operations, income and property adjustments may be necessary to minimize differences. Occurrences that may prompt such an adjustment are (E - July 17, 1994):

1. Extraordinary, unusual and infrequent events.
2. Material in nature, of a character different from the typical or customary business operations, not expected to recur frequently and not normally considered in evaluating the operation results of a business.
3. May include material increases or decreases in income and property as a result of such events as write-offs, write-downs and changes in accounting practices.

Laws 1994, Chapter 232 clarified that the County Attorney shall defend all locally valued and assessed property tax appeals. The act also clarified that the county that values and assesses the property which is subject to a Notice of Appeal shall be responsible for defending all defendants named in the appeal except in specified situations. (R - July 17, 1993)

Laws 1994, Chapter 271 separated the determination of the value of telecommunication companies in the state for property tax purposes between those providing local services and all others. On or before the first Monday in June each year, the Department of Revenue shall determine the following valuations as of January 1, 1994, and each January 1 thereafter:

1. The valuation of all property, franchises and intangible values of telecommunication companies operating in the state and providing local telecommunication service at their full cash value.
2. The valuation of the property of other telecommunication companies operating in this state at its full cash value. Real estate shall be valued at market value and personal property shall be valued on a unitary basis at its historical cost less depreciation. For purposes of this paragraph:
  - a. Depreciation is computed on the table adopted by the Department of Revenue in its Personal Property Manual in effect on January 1, 1993 for the following categories:
    - 1.) Buildings with a 25 year life.
    - 2.) Cable with a 15 year life.
    - 3.) Telecommunication equipment with a 5 year life.
    - 4.) Any other telecommunication property not included in items 1, 2 or 3 with a 7 year life.
  - b. "Historical cost" means the original cost as reported on the company's books and records.

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## Unsecured Personal Property Tax

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- c. "Other telecommunication company" means a telecommunication company that does not provide local telecommunication service in this state.
- d. For cellular telecommunication companies, the "taxable unit" shall be the applicable metropolitan statistical area or rural statistical area and shall not include the value of any license issued by the Federal Communications Commission.

The Department of Revenue shall compute the valuation of other telecommunication companies, and multiply the determined valuation by 140% for tax year 1994 and by 120% for tax year 1995 for property tax purposes. This act applies retroactively to values determined as of January 1, 1994. (E - July 17, 1994)

Laws 1994, Chapter 287 provided that an action involving the imposition, assessment or collection of a tax, including questions of law or fact relating to a dispute about taxes, may be filed in either the Tax Court or the Superior Court. Clarified that if a party to an action described above exercises its right to a change of Judge, the action shall not be reassigned to the Tax Court. The refusal of a taxpayer to obey a subpoena issued by the Director of the Department of Revenue will be handled by the Superior Court. The act also rescinds the right of the Tax Court to publish and distribute decisions of the court which it finds are of general public interest. (E - July 17, 1994)

Laws 1994, Chapter 293 clarified the classification of possessory interest property enacted during the 1993 legislative session. The act compensates for the Tax Court ruling that struck down several of the exemptions passed last year. The act makes clarifying changes to Class 12 property and creates a new Class 13 property for possessory interests located on public land. Classes 12 and 13 have 1% assessment ratios.

The following previously exempt properties were included in Class 12:

1. To the extent allowed pursuant to federal law, interests in property held in trust for an Indian or an Indian tribe by the United States Government.
2. Leases and permits issued for agricultural, commercial livestock, grazing or mineral development and permits issued for unpatented mining claims.
3. Interests in property used for a governmental program or activity to furnish public housing for elderly persons and persons of low or moderate income.
4. Interests in property for a governmental program or activity used to provide space or facilities for or in connection with a program, activity or function of another government entity.
5. Interests in property that is defined as "contractor-acquired property" or "government-furnished property" in the Federal Acquisitions Regulations (48 Code of Federal Regulations, Section 45-101, as amended or superseded by a federal law or regulation) and that is owned by the government and used to perform a government contract.

The new Class 13 include the following properties:

1. Improvements located on public property that are used primarily for athletic, recreational, entertainment, artistic, cultural or convention activities, provided that the improvements become the property of the owner of the public property upon termination of the possessory interest in the property.

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## Unsecured Personal Property Tax

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2. Improvements located on public property provided:
  - a. That the improvements shall become the property of the owner of the public property upon termination of the possessory interest in the property.
  - b. That both the improvements and the public property are used for or in connection with aviation, including hangers, tie-downs, aircraft maintenance, sales of aviation-related items, charter and rental activities, parking facilities and restaurants, stores and other services located in a terminal.
  - c. That both the improvements and the public property are located on a state, county, city or town airport or a public airport.
3. Property that is leased or acquired by the government and used to perform a government contract and that is defined as "contractor-acquired property" or "government-furnished property" in the federal acquisition regulations.
4. Property of a corporation organized by or at the direction of this state or a county, city or town to develop, construct, improve, repair, replace or own any property, improvements, buildings or other facility to be used for public purposes that the state, county, city or town pledges to lease or lease-purchase with state, county, or municipal special or general revenue and are not otherwise exempt.

The act also included a new section in the statutes that provides a property tax exemption to a possessory interest consisting of property or improvements leased from the state or its political subdivisions, and used by an association or institution which has as its purpose educational or charitable activities. The association or institution shall have annual gross revenue of not more than \$50,000 and not be operated for profit.

The bill also provides that during FY 1994 and FY 1995, the Department of Revenue may provide technical and professional assistance to County Assessors in establishing the value of commercial, agricultural and vacant, residential and nonowner occupied residential properties for property tax purposes. The act provides Maricopa County with at least 20 full-time equivalent positions for one year, unless some other amount is agreed to by the Director of the Department of Revenue and the Chairmen of the appropriate County Board of Supervisors. The assistance provided to other counties will be determined by the Director of the Department of Revenue.

All possessory interests which were designated as exempt under Laws 1993, Chapter 91, Section 4 shall be assessed and taxed for tax year 1993 in accordance with the new Class 13 property regulations. No assessment shall be made for any tax year prior to 1993 for possessory interests which were previously designated as exempt. Nothing in this act allows this state or local government to impose a tax on possessory interest in property held in trust for an Indian or an Indian tribe by the United States Government, if a court of competent jurisdiction issues a final order that this state or local government may not impose a tax on possessory interests in property held in trust for an Indian or Indian tribe by the United States Government. (RTYBFA - December 31, 1992)

Laws 1994, Chapter 309 included "ratites" as Class 11 personal property for tax purposes. "Ratites" are defined as ostriches, emus, rheas and cassowaries. "Poultry" is defined as chickens, turkeys, domesticated birds, game birds, fowl and waterfowl but does not include ratites. The act also provided a Transaction Privilege and Use Tax exemption to ratites used as breeding or production stock. The act contains provisions defined in Article IX, Section 22, Constitution of Arizona that requires the affirmative vote of at least two-thirds of both houses. (E - April 25, 1994)

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## Unsecured Personal Property Tax

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Laws 1994, Chapter 323 established the State Board of Equalization and provided that the Department of Revenue may contest any proposed valuation or classification, or any proposed change in valuations or classifications before any County Board of Equalization, or before the State Board of Tax Appeals and the State board of Equalization. If a decision of an Assessor is, in the Director's opinion, erroneous, the Director may appeal the Assessor's decision to the County Board of Equalization or State Board of Equalization within 25 days after the Assessor's decision was mailed to the taxpayer and the Department of Revenue. (EFA - December 31, 1995)

The act also provided for correction of errors occurring in assessing or collecting property taxes, whether they inure to the benefit of the taxpayer or the government. (EFA - October 31, 1994)

For property that is valued by the Assessor, in the case of new construction, additions to or deletions from assessment parcels and changes in property use that occur after January 1 of the valuation year:

1. The Assessor shall notify the owner of the property of any change in the valuation on or before September 30 of the valuation year.
2. Within 25 days after the date of the Assessor's notice, the property owner may appeal the valuation to the State Board of Equalization if the property is located in a county with a population of 500,000 persons or more, or to the County Board of Equalization if the property is located in any other county.
3. The State Board of Equalization and County Board of Equalization shall complete all hearings and issue all decisions with respect to changes in valuations on or before November 15 of the valuation year.
4. An appeal to the Tax Court relating to changes in assessments must be filed on or before December 15 of the valuation year.

A new owner of property that was valued, and which valuation was not appealed by the former owner of the property, may appeal the valuation to the Tax Court on or before December 15 of the year in which the taxes are levied. For purposes of this section, "valuation year" means the calendar year preceding the year in which the taxes are levied. (EFA - December 31, 1995)

The act provided public access to the valuation and assessment information and made conforming changes to the statutes required as a result of the creation of the State Board of Equalization. (E - July 17, 1994)

Laws 1994, Chapter 330 clarified that bed and breakfast properties, together with furnishings, consisting of no more than 4 rooms that are leased or rented to transient lodgers at no more than a 50% average annual occupancy rate, and that serve no more than a breakfast meal by the owner of the property, shall be classified as Class 6 property for tax purposes. (R - January 1, 1994)

The act also provided that if a taxpayer fails to prepare and deliver a correct list of property to the Assessor within the period specified by law, but within 30 days thereafter, the Assessor may abate all or part of the penalty for failing to prepare and deliver the list.

The act provided that the County Board of Equalization shall not consider property at the June meeting that has already been subject of an appeal for the current valuation year unless evidence is presented at the June meeting verifying that improvements to the property were in existence on the lien date, and the valuation of the improvements was not considered at any stage of the appeal prior to the June hearing. If an appeal is pending, any party may request the person or board hearing the appeal to consider any additional issue which could have been presented to the County Board of Equalization in the June meeting had no appeal been filed.

(Continued)

## **Unsecured Personal Property Tax**

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The act provided that the property shall not be considered, and the Board of Supervisors shall not approve, an adjustment in valuation if the property valuation has already been the subject of an appeal for the current valuation year unless it appears that the property was not valued, and/or there was a clerical error of defect in reporting or recording, the valuation or the property was destroyed or damaged prior to the lien date. If an appeal is pending, any party may request the person or board hearing the appeal to consider any additional issue which could have been supplied or corrected by the Assessor or the County Treasurer with prior approval of the Department of Revenue and the County Board of Supervisors had no appeal been filed. (E - April 26, 1994)

**Laws 1994, Chapter 333** was the Annual Tax Corrections Act that made technical and conforming changes to the tax code. (E - July 17, 1994)

**Laws 1994, Chapter 359** provided that in tax years 1996, 1997, 1998 and 1999, the Department of Revenue shall reduce the minimum value prescribed for Class 3 (commercial and industrial) personal property by 2.5% each year. This will reduce, from 20 to 10%, the minimum value to which Class 3 personal property may be depreciated for purposes of taxation. (E - July 17, 1994)

**Laws 1994, Chapter 375** provided changes to the Taxpayers' Bill of Rights including provisions on installment payments of tax, abatement of penalties, and reimbursement of fees and other costs. The reimbursement of fees and other costs is effective after December 31, 1994. (E - July 17, 1994)



# **CHAPTER VI**

## **PAYMENTS IN LIEU OF PROPERTY TAXES**

## VEHICLE LICENSE TAX

<b>TAX YIELD:</b>	<u>Fiscal Year</u>	<u>Gross Collections</u>
	1993-1994	\$377,593,859

SHARE OF VEHICLE LICENSE TAX GAINS TO STATE GENERAL FUND AND HURF			
<u>Fiscal Year</u>	<u>State General Fund</u>	<u>HURF Transfer</u>	<u>HURF</u>
1993-1994	\$115,891,109	\$ -0-	\$113,990,470

### 1994 TAX LAWS

Laws 1994, Chapter 41 contained the major components of the tax reduction package known as the Middle Income Tax Relief Act (MITRA) of 1994. The act contained the following major provisions affecting the Vehicle License Tax:

The act repeals the "Usdane Shift" which required that if the Vehicle License Tax, or other taxable auto related retail sales of tangible personal property, increases greater than 7%, then an amount determined by formula would be deposited in the HURF rather than the state General Fund (for details on this bill, see Page 3). (E - July 17, 1994)

Laws 1994, Chapter 173 expanded the exemption from motor vehicle registration fees to vehicles owned by a provider of ambulance, fire fighting or rescue services that are used solely for the purpose of providing emergency services. For purposes of applying the Vehicle License Tax (VLT), a separate class of vehicles was created consisting of privately-owned motor vehicles that are used solely for the purpose of providing ambulance or fire fighting services. For purposes of the act, "ambulance" means a vehicle for which a certificate of registration has been issued. These vehicles will be assessed an annual VLT of \$4 for each \$100 in value. During the first 12 months of the life of the vehicle, as determined by its initial registration, the value is 1% of the manufacturer's base retail price of the vehicle. During each succeeding 12-month period, the value of the vehicle is 15% less than the value of the preceding 12-month period. However, the minimum amount of the license tax computed shall be \$5 per year for each vehicle subject to the tax. Vehicles temporarily operated for purposes other than providing ambulance or fire fighting services will be assessed a VLT equal to one-tenth of the annual VLT for each calendar month that the motor vehicle is so operated in this state. The registering officer shall not apportion the VLT for any fraction of a calendar month. (E - July 17, 1994)

## **FLIGHT PROPERTY TAX**

TAX YIELD:	<u>Fiscal Year</u>	<u>Net Collections</u>
	1993-94	\$12,278,607
DISTRIBUTION: State Aviation Fund		

There were not any changes enacted to this tax in 1994.

## VOLUNTARY CONTRIBUTIONS BY DISTRICTS

TAX YIELD:	<u>Fiscal Year</u>	<u>Net State Collections</u>
	1993-94	\$4,155,690
DISTRIBUTION: State General Fund		

There were not any changes enacted to this tax in 1994.



## AIRCRAFT LICENSE TAX

TAX YIELD:	<u>Fiscal Year</u>	<u>Net Collections</u>
	1993-94	\$1,461,259
DISTRIBUTION: State Aviation Fund		

There were not any changes enacted to this tax in 1994.

## WATERCRAFT LICENSE TAX

<b>TAX YIELD:</b>	<u>Fiscal Year</u>	<u>Net Collections</u>
	1993-94	\$1,316,700

DISTRIBUTION OF WATERCRAFT LICENSE TAX			
<u>Fiscal Year</u>	<u>Watercraft Licensing Fund</u>	<u>State Lake Improvement Fund</u>	<u>Law Enforcement and Boating Safety Fund</u>
1993-94	\$592,479	\$108,621	\$615,600

### 1994 TAX LAWS

Laws 1994, Chapter 79 increased the license tax levied on nonresident owners of watercraft and decreased the license tax on resident owners. The license tax for nonresident owners was increase from 65¢ to \$1.45 per foot of length, or faction thereof, on each watercraft up to and including 18 feet, and from \$1.25 to \$2.75 per foot of length for each foot or fraction thereof over 18. The license tax for resident owners was decreased from 50¢ to 45¢ per foot of length, or fraction thereof, on each watercraft up to and including 18 feet, and from 75¢ to 68¢ per foot or fraction thereof over 18 feet. The act contains provisions defined in Article IX, Section 22, Constitution of Arizona that requires the affirmative vote of at least two-thirds of both houses. (E - April 12, 1994)

## LIEU TAX ON PRIVATE CAR COMPANIES

TAX YIELD:	<u>Fiscal Year</u>	<u>Net Collections</u>
	1993-94	\$1,036,897
DISTRIBUTION: State General Fund		

There were not any changes enacted to this tax in 1994.

## BOULDER CANYON PROJECTS - IN LIEU PAYMENTS

TAX YIELD:	<u>Fiscal Year</u>	<u>Net Collections</u>
	1993-94	\$300,000

DISTRIBUTION OF BOULDER CANYON PROJECTS - IN LIEU PAYMENTS		
<u>Fiscal Year</u>	<u>State General Fund</u>	<u>County Special Fund</u>
1993-94	\$200,000	\$100,000

There were not any changes enacted to this tax in 1994.

## VOLUNTARY CONTRIBUTIONS BY MUNICIPALITIES

<u>TAX YIELD:</u>	<u>Fiscal Year</u>	<u>*Net Collections</u>
	1993-94	\$588,341
*Initial payments of this tax were due on the first Monday of November, 1992 for property tax year 1992.		

<u>DISTRIBUTION</u>		
<u>Urban In-Lieu Fund</u>	<u>State General Fund</u>	<u>Cities</u>
\$588,341	\$ -0-	\$ -0-

There were not any changes enacted to this tax in 1994.

**VOLUNTARY CONTRIBUTIONS BY THE  
GAME AND FISH COMMISSION**

<b>TAX YIELD:</b>	<u>Fiscal Year</u>	<u>Net Collections</u>
	1993-94	\$ -0-
<b>DISTRIBUTION:</b> Taxing Jurisdiction in which the property is located.		

1994 TAX LAWS

There were not any changes enacted to this tax in 1994.



# **CHAPTER VII**

## **HIGHWAY USER TAXES**



## MOTOR VEHICLE FUEL TAX

TAX YIELD:	<u>Fiscal Year</u>	<u>Net Collections</u>
	1993-94	\$341,252,229

DISTRIBUTION OF MOTOR VEHICLE FUEL TAX COLLECTIONS		
<u>Fiscal Year</u>	<u>Highway User Revenue Fund</u>	<u>Special Funds and Refunds</u>
1993-94	\$334,643,264	\$6,608,965

BREAKDOWN OF DISTRIBUTIONS TO SPECIAL FUNDS AND REFUNDS						
<u>Fiscal Year</u>	<u>Refunds to Taxpayers</u>	<u>State Aviation Fund</u>	<u>Lake Improvement Fund</u>	<u>Watercraft Fuel Tax Administration</u>	<u>Watercraft Fuel Survey</u>	<u>Off Highway Fund</u>
1993-94	\$98,507	\$539,211	\$4,730,398	\$47,782	\$ -0-	\$1,193,067

DISTRIBUTION OF HIGHWAY USER REVENUE FUND FROM ALL TAX SOURCES							
<u>Fiscal Year</u>	<u>Arizona Highway Fund</u>	<u>Cities and Towns</u>	<u>Counties</u>	<u>Economic Strength Fund</u>	<u>DPS Transfer</u>	<u>Mandatory Insurance</u>	<u>Total</u>
1993-94	\$385,844,000	\$228,605,640	\$135,156,995	\$1,000,000	\$24,925,000	\$532,000	\$776,063,343

There were not any changes enacted to this tax in 1994.

## MOTOR CARRIER TAX

TAX YIELD:	<u>Fiscal Year</u>	<u>Net Collections</u>
	1993-94	\$118,530,292
DISTRIBUTION: Arizona Highway User Revenue Fund (HURF)		

### 1994 TAX LAWS

Laws 1994, Chapter 55 included changes to the Motor Carrier Tax and Use Fuel Tax. The act increased the fee for an Excess Weight Permit from \$25 to \$75 for each permit and each 30-day permit. The act also limited a non-articulated bus to 45 feet.

Motor vehicles, trailers and semi-trailers that are exempted from the weight fee are also exempt from the use fuel surcharge of 8¢ per gallon. (ER - January 1, 1994)

The Director of the Department of Transportation shall compute a Motor Carrier Tax that is 1% per mile less than the tax rate for a vehicle combination in the vehicle weight category of 75,001-80,000 pounds if all of the following apply:

1. The owner or operator of the vehicle combination provides proof satisfactory to the Director that the vehicle combination has at least 6 axles, not including a variable load axle.
2. The owner or operator of the vehicle combination provides proof satisfactory to the Director that the vehicle combination has a set of tridem axles and the set of tridem axles has at least 10 wheels.
3. The owner or operator of the vehicle combination has established Use Fuel and Motor Carrier Tax accounts with the Department.
4. The vehicle combination is not a triple trailer configuration.
5. The vehicle combination is not being operated or moved at a size or weight exceeding the maximum specified.

The Department of Transportation will abate the full amount of any penalty assessed in conjunction with a tax or fee imposed that is directly attributable to erroneous written advice furnished to a person by an employee of the Department acting in his official capacity if the person reasonably relied on the written advice, unless the penalty results from the failure of the person to provide adequate or accurate information. The Director may abate all or part of any penalty for reasonable cause. "Reasonable cause" means a basis for the person to believe that the tax or fee did not apply. The Department of Transportation shall refund user fuel surcharges that are exempted by this act, but were paid between January 1, 1994, and the effective date of the act. The act contains provisions defined in Article IX, Section 22, Constitution of Arizona that requires the affirmative vote of at least two-thirds of both houses. (E - April 8, 1994)

Laws 1994, Chapter 238 provided that gross weight fees imposed on commercial vehicles be calculated beginning on the first day of the month following the date of a transfer. The fee shall be reduced by one-twelfth for each month of the year which has elapsed since the first day of the month following the date of transfer of the vehicle

(Continued)

## **Motor Carrier Tax**

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or vehicle combination, or the date the vehicle or vehicle combination becomes subject to registration. (E - July 17, 1994)

**Laws 1994, Chapter 328** clarified that payment of the Motor Carrier Tax by a motor carrier or a person who operates a lightweight motor vehicle shall exempt the motor carrier or lightweight motor vehicle operator from the Transaction Privilege and Use Tax or any similar tax imposed by any taxing authority within this state. The exemption includes leasing or renting, and any repair and replacement parts that are sold to a licensed motor carrier or a lightweight motor vehicle operator who is engaged in the business of leasing or renting such property. (RTYBFA -June 30, 1982)

## USE FUEL TAX

<b>TAX YIELD:</b>	<u>Fiscal Year</u>	<u>Gross Collections</u>
	1993-94	\$87,912,597
<b>DISTRIBUTION:</b> Arizona Highway User Revenue Fund (HURF)		

### 1994 TAX LAWS

Laws 1994, Chapter 55 included changes to the Motor Carrier Tax and Use Fuel Tax. The act increased the fee for an Excess Weight Permit from \$25 to \$75 for each 30-day permit. The act also limited a non-articulated bus to 45 feet.

The act authorized the Director of the Department of Transportation to allow third parties to issue Fuel Tax Permits in accordance with the rules adopted by the Director.

Motor vehicles, trailers and semi-trailers that are exempted from the weight fee are also exempt from the use fuel surcharge of 8¢ per gallon. (ER - January 1, 1994)

The Director of the Department of Transportation may exempt a user from the monthly reporting requirements of use fuel vendors if the user meets all of the following requirements:

1. The user holds a valid Fuel Tax License.
2. The user establishes, to the satisfaction of the Director that the user's operations are exclusively intrastate.
3. The user is exempt from the use fuel surcharge imposed by this section.
4. The user is not a user of use fuel for which a tax has not been paid.

The exemption will remain in effect until such time as any condition of the exemption no longer prevails. A user who has been granted an exemption from the monthly reporting requirements and who leaves Arizona may be required, on the user's reentry into the state, to purchase a single trip Use Fuel Tax Permit. The fees for the single trip Use Fuel Tax Permit shall be computed in the same manner as prescribed for an unlicensed interstate user. The act contains provisions defined in Article IX, Section 22, Constitution of Arizona that requires the affirmative vote of at least two-thirds of both houses. (E - April 8, 1994)

## AVIATION FUEL TAX

<b>TAX YIELD:</b>	<u>Fiscal Year</u>	<u>Net Collections</u>
	1993-94	\$690,752
<b>DISTRIBUTION: State Aviation Fund</b>		

There were not any changes enacted to this tax in 1994.



# **CHAPTER VIII**

## **LUXURY TAXES AND LICENSES**

**LUXURY TAX**  
**CIGARETTES AND TOBACCO**

TAX YIELD:	<u>Fiscal Year</u>	<u>Net Collections</u>
	1993-94	\$53,075,283

DISTRIBUTION OF LUXURY TAX CIGARETTES AND TOBACCO		
<u>Fiscal Year</u>	<u>State General Fund</u>	<u>Corrections Fund</u>
1993-94	\$46,868,609	\$6,206,674

There were not any changes enacted to this tax in 1994.



**LUXURY TAX**  
**LIQUOR**

<b>TAX YIELD:</b>	<u>Fiscal Year</u>	<u>Net Collections</u>
	1993-94	\$42,262,933

DISTRIBUTION OF LUXURY TAX LIQUOR			
<u>Fiscal Year</u>	<u>State General Fund</u>	<u>Corrections Fund</u>	<u>Wine Promotional Fund</u>
1993-94	\$26,462,911	\$15,792,486	\$7,536

There were not any changes enacted to this tax in 1994.

## ALCOHOLIC BEVERAGE LICENSES

TAX YIELD:	<u>Fiscal Year</u>	<u>Net Collections</u>
	1993-94	\$3,495,800

DISTRIBUTION OF ALCOHOLIC BEVERAGE LICENSE FEES								
<u>Fiscal Year</u>	<u>State General Fund</u>	<u>Department of Economic Security</u>	<u>Department of Health Services</u>	<u>Counties</u>	<u>Automated File and Retrieval Fund</u> <sup>1/</sup>	<u>Audit Surcharge</u>	<u>Enforcement Surcharge</u>	<u>Fingerprint Fund</u> <sup>2/</sup>
1993-94	\$2,577,500	\$54,900	\$36,100	\$343,100	\$309,200	\$81,200	\$24,400	\$69,400

There were not any changes enacted to this tax in 1994.

<sup>1/</sup> \$114,400 was paid to the General Fund by the Automated File and Retrieval Fund to repay the General Fund for two-thirds of the Maricopa and Pima County fees. This was a result of a statutory change which did not contain the correct wording.

<sup>2/</sup> \$1,100 was paid to the Fingerprint Fund because the balance from FY 1993 was not forwarded, but remained in the General Fund. The account was reconciled by GAO and DLLC.

**LUXURY TAX ON**  
**CANNABIS AND CONTROLLED SUBSTANCES**

<b>TAX YIELD:</b>	<u>Fiscal Year</u>	<u>Net Collections</u>
	1993-94	\$18,293

DISTRIBUTION OF LUXURY TAX CONTROLLED SUBSTANCES		
<u>Fiscal Year</u>	<u>State General Fund</u>	<u>RICO Fund</u>
1993-94	\$1,171	\$17,122

There were not any changes enacted to this tax in 1994.

# **CHAPTER IX**

## **MISCELLANEOUS TAXES**

## UNEMPLOYMENT INSURANCE TAX

TAX YIELD:	<u>Fiscal Year</u>	<u>Total Collections</u>	<u>Unemployment Insurance Contributions</u>	<u>Reimbursement Payments In Lieu of Tax</u>	<u>Federal Reimbursements</u>
	1993-94	\$195,023,452	\$174,893,682	\$11,103,155	\$9,026,615
DISTRIBUTION: Unemployment Compensation Fund					

There were not any changes enacted to this tax in 1994.

## INTRASTATE UTILITY CORPORATION ASSESSMENTS

TAX YIELD:	<u>Fiscal Year</u>	<u>Utilities Division</u> <u>Net Collections</u>	<u>RUCO</u> <u>Net Collections</u>
	1993-94	\$5,491,000	\$925,300

DISTRIBUTION OF INTRASTATE UTILITY CORPORATION ASSESSMENTS		
<u>Fiscal Year</u>	<u>Utility</u> <u>Regulation Revolving Fund</u>	<u>RUCO Revolving Fund</u>
1993-94	\$5,491,000	\$925,300

There were not any changes enacted to this tax in 1994.

## COMMERCIAL NUCLEAR GENERATING STATION ASSESSMENT

TAX YIELD:	<u>Fiscal Year</u>	<u>Total Collections</u>
	1993-94	\$870,000
DISTRIBUTION: State General Fund		

There were not any changes enacted to this tax in 1994.

## UNDERGROUND STORAGE TANK TAX

TAX YIELD:	<u>Fiscal Year</u>	<u>ADOT Collections</u>	<u>DEQ Collections</u>	<u>Net Collections</u>
	1993-94	\$177,693	\$24,894,743	\$25,072,436

BREAKDOWN OF THE UNDERGROUND STORAGE TANK REVOLVING FUND		
<u>Fiscal Year</u>	<u>Assurance Account</u>	<u>Loan Account</u>
1993-94	\$20,322,152	\$2,275,950

There were not any changes enacted to this tax in 1994.



## WATER USE TAX

TAX YIELD:	<u>Fiscal Year</u>	<u>Net Collections</u>
	1993-94	\$1,637,633
DISTRIBUTION: Water Quality Assurance Revolving Fund (WQARF)		

There were not any changes enacted to this tax in 1994.

## **ENVIRONMENTALLY HAZARDOUS PRODUCTS LICENSE FEE**

<b>TAX YIELD:</b>	<b><u>Fiscal Year</u></b>	<b><u>Net Collections</u></b>
	1993-94	\$16,118
<b>DISTRIBUTION: Water Quality Assurance Revolving Fund (WQARF)</b>		

**Repealed by Laws 1992, Chapter 290 effective from and after August 31, 1992.**

