

# Update on Tax Simplification

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City Council Workshop  
December 6, 2016



# Agenda

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- History
- Business Licensing
  - Current Process
  - New Process
- Transaction Privilege Tax (TPT) Remittance
  - Current Process
  - New Process
- Transition Concerns and Plans

# Tax Simplification History

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- In 2013, tax reform bill passed (HB2111)
  - Single point of TPT collection and administration by ADOR
  - Centralization of sales tax audit function
  - Changes to Construction Contracting
  - Original effective date of January 2015
- Delayed to January 2017 w/exception of Construction Contracting and auditing
- Expected full implementation January 2017

# Current Licensing Process

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- Taxpayers conducting business in the city must submit an application to Glendale
  - Application review process
  - Licenses cost \$50 per year (renewed annually)
  - Includes residential rental
- Taxpayers are required to be licensed with ADOR
  - \$12 one-time application fee
  - Licenses cost \$0 annually
  - State (ADOR) does not license or tax residential rentals

# Business Licensing 2017

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- Taxable businesses will apply for an annual TPT License through the State
  - Cost \$35 (renewed annually)
  - Report and payments from ADOR weekly
- Businesses in Glendale must apply for a City Business License
  - Applications go through a review process
  - Cost \$25 (renewed annually)
  - Exceptions for residential rentals, title companies

# 2017 TPT License Renewals

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- Ongoing TPT license matching process with ADOR
  - Approximately 18,000 city TPT licenses
  - 11,000 already matched to ADOR licenses
  - 4,000 residential rentals not currently in ADOR
  - About 3,000 unmatched licenses
- City outreach to “unmatched” businesses

# Sales Tax Remittance Now

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- City sends monthly tax returns
- Taxpayers file two tax returns
  - One to ADOR
  - One to Glendale
- Glendale returns are scanned and uploaded daily
- Money is deposited daily
- Remittances total over \$150 million annually



# Sales Tax Remittance 2017

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- Implementation begins February 2017 (January returns)
- ADOR will only send a tax return to taxpayers with a single location
- Taxpayers will file a consolidated City and State return
- Taxpayers can file and pay online
- City receives reports and payments weekly



# Concerns

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- There may be delays receiving revenue and reports from ADOR
- Taxpayers reporting to incorrect jurisdiction
- Manual processing leads to keystroke errors
- Taxpayers paying incorrect tax rate
- Taxpayers claiming incorrect deductions
- Taxpayer confusion leads to non-filing

# Concerns

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- Taxpayers with multiple locations will no longer receive a tax return in the mail
- Reduction in auditing and collection staff at ADOR
- ADOR collection thresholds
- ADOR has only two License Compliance Inspectors for the entire State

# Glendale's Taxpayer Outreach

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- Messages on tax returns and statements
- Information on ADOR and Glendale web sites
- Information sheet inserted with tax returns
- Joint ADOR and Glendale Training
- City's Customer Service Reps available to assist taxpayers with questions
- Hiring an additional Licensing Specialist and Licensing and Tax Supervisor

# Glendale's Taxpayer Outreach

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- Staff will monitor reports from current system and compare it to ADOR payment reports
  - Use of Phoenix's Business Intelligence system
  - Pending Council approval on Dec. 20<sup>th</sup>
- Encouraging taxpayers to get licensed and begin filing with the ADOR now
- New licensing system to assist with compliance
  - On-line application process
- Sending renewal form annually to update business information

# Budget and Financial Impacts

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- Actively managing our available cash
- Accrue revenues based on the accounting period
  - Short-term timing differences
  - Monitoring reports to look for any longer term impacts

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# Questions?