



## Legislation Text

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**File #:** 14-444, **Version:** 1

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**ADOPT AN ORDINANCE AMENDING THE MODEL CITY PRIVILEGE (SALES) TAX CODE, CHAPTER 21.1, ARTICLE III - LICENSING AND RECORDKEEPING AND DELETING CERTAIN PROVISIONS IN ARTICLE VII (ORDINANCE) (PUBLIC HEARING REQUIRED)**

Staff Contact: Tom Duensing, Director, Finance and Technology

### **Purpose and Recommended Action**

This is a request for City Council to conduct a public hearing, waive reading beyond the title and adopt an ordinance amending Chapter 21.1 (Model City Privilege (Sales) Tax Code) by deleting Article VII - Regulations-Privilege and Excise Taxes, Regulations 21.1-300.1, 21.1-300.2, 21.1-310.1, 21.1-350.1, 21.1-350.2, 21.1-350.3, 21.1-360.1, and 21.1-360.2 and by deleting in its entirety Article III - Licensing and Recordkeeping, Sections 21.1-300 through 21.1-370 and adopting the "2014 Amendments to Chapter 21.1 (Model City Privilege (Sales) Tax Code), Article III - Licensing and Recordkeeping, Sec. 21.1-300 thru 21.1-380" as adopted by the Arizona Municipal Tax Code Commission with an effective date of January 20, 2015 and applied retroactively from and after January 1, 2015.

### **Background**

Following each legislative session, the League of Arizona Cities and Towns puts together a package of changes to the Model City Privilege (Sales) Tax Code that are forwarded to and approved by the Arizona Municipal Tax Code Commission. Any approved changes must be adopted by municipalities in order to maintain consistency and uniformity among all cities. It is important to note that cities start practicing the state laws as soon as they are passed by the legislature and become effective.

The current changes are being implemented in preparation for the transition of the administration of Transaction Privilege (Sales) Tax collection from the City to the Arizona Department of Revenue. One area with significant impact on the Model City Tax Code is a variety of changes the legislation made to Arizona Revised Statute (A.R.S.) 42-5005 regarding tax licensing for both the Department of Revenue and the cities and towns, effective January 1, 2015.

The revisions being proposed bring the Model City Tax Code into conformity with the revised statutes and also align the licensing regulations for all municipalities. These changes are intended to create uniform tax licensing rules and improve taxpayer understanding and compliance. The language for the revised Model City Privilege (Sales) Tax Code, Chapter 21.1, Article III - Licensing and Recordkeeping is a combination of new statutory requirements and changes to previous licensing rules. The new language has been agreed upon by the Uniform Audit Committee and the city and town finance directors. The recommended amendments include: the elimination of the tax license application fee; the elimination of pro-ration of tax licensing fees for new applications; addition of a requirement that real property rentals must be licensed by location to the property owner rather than by the property manager; and provision for the waiver of tax license penalty fees. In

addition, certain regulations in the City Code which affected tax licensing are being deleted and items similar to the deleted regulations are being incorporated into the revised Article III.

### **Analysis**

These changes to the City Code are needed in order to comply with revisions to state statutes which were adopted by the legislature and approved by the Municipal Tax Code Commission.

### **Previous Related Council Action**

The Council has approved numerous amendments to the Model City Privilege (Sales) Tax Code since its original adoption, including the latest amendment on May 14, 2013.

### **Community Benefit/Public Involvement**

The Model City Privilege (Sales) Tax Code provides taxpayers a uniform tax code with consistent language that is used throughout the state.

Cities, through the Unified Audit Committee and the League of Arizona Cities and Towns, work with the business stakeholders on changes to the Model City Privilege (Sales) Tax Code. The Municipal Tax Code Commission held a public hearing on October 10, 2014 to receive community input and then acted to approve the amendments.

A notice of public hearing to be held on December 18, 2014, was published in the Glendale Star on November 27, 2014. The proposed ordinance was made available for public review at the Clerk's Office.

### **Budget and Financial Impacts**

The impact to revenues is non-material. There is no budget impact with these amendments.