

State of Arizona  
Senate  
Fifty-sixth Legislature  
First Regular Session  
2023

**CHAPTER 11**  
**SENATE BILL 1473**

AN ACT

AMENDING SECTIONS 42-2003, 42-5009 AND 42-5122, ARIZONA REVISED STATUTES;  
REPEALING SECTION 42-11057, ARIZONA REVISED STATUTES; AMENDING SECTIONS  
42-13004, 42-16209, 43-1014 AND 43-1088, ARIZONA REVISED STATUTES;  
RELATING TO TAXATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 42-2003, Arizona Revised Statutes, is amended to  
3 read:

4 42-2003. Authorized disclosure of confidential information

5 A. Confidential information relating to:

6 1. A taxpayer may be disclosed to the taxpayer, its successor in  
7 interest or a designee of the taxpayer who is authorized in writing by the  
8 taxpayer. A principal corporate officer of a parent corporation may  
9 execute a written authorization for a controlled subsidiary. If a  
10 taxpayer elects to file an Arizona small business income tax return under  
11 section 43-302, a written authorization by ~~the~~ THE taxpayer to allow the  
12 department to disclose personal income tax information to a designee  
13 includes the corresponding Arizona small business income tax return.

14 2. A corporate taxpayer may be disclosed to any principal officer,  
15 any person designated by a principal officer or any person designated in a  
16 resolution by the corporate board of directors or other similar governing  
17 body. If a corporate officer signs a statement under penalty of perjury  
18 representing that the officer is a principal officer, the department may  
19 rely on the statement until the statement is shown to be false. For the  
20 purposes of this paragraph, "principal officer" includes a chief executive  
21 officer, president, secretary, treasurer, vice president of tax, chief  
22 financial officer, chief operating officer or chief tax officer or any  
23 other corporate officer who has the authority to bind the taxpayer on  
24 matters related to state taxes.

25 3. A partnership may be disclosed to any partner of the  
26 partnership. This exception does not include disclosure of confidential  
27 information of a particular partner unless otherwise authorized.

28 4. A limited liability company may be disclosed to any member of  
29 the company or, if the company is manager-managed, to any manager.

30 5. An estate may be disclosed to the personal representative of the  
31 estate and to any heir, next of kin or beneficiary under the will of the  
32 decedent if the department finds that the heir, next of kin or beneficiary  
33 has a material interest that will be affected by the confidential  
34 information.

35 6. A trust may be disclosed to the trustee or trustees, jointly or  
36 separately, and to the grantor or any beneficiary of the trust if the  
37 department finds that the grantor or beneficiary has a material interest  
38 that will be affected by the confidential information.

39 7. A government entity may be disclosed to the head of the entity  
40 or a member of the governing board of the entity, or any employee of the  
41 entity who has been delegated the authorization in writing by the head of  
42 the entity or the governing board of the entity.

43 8. Any taxpayer may be disclosed if the taxpayer has waived any  
44 rights to confidentiality either in writing or on the record in any  
45 administrative or judicial proceeding.

1           9. The name and taxpayer identification numbers of persons issued  
2 direct payment permits may be publicly disclosed.

3           10. Any taxpayer may be disclosed during a meeting or telephone  
4 call if the taxpayer is present during the meeting or telephone call and  
5 authorizes the disclosure of confidential information.

6           B. Confidential information may be disclosed to:

7           1. Any employee of the department whose official duties involve tax  
8 administration.

9           2. The office of the attorney general solely for its use in  
10 preparation for, or in an investigation that may result in, any proceeding  
11 involving tax administration before the department or any other agency or  
12 board of this state, or before any grand jury or any state or federal  
13 court.

14           3. The department of liquor licenses and control for its use in  
15 determining whether a spirituous liquor licensee has paid all transaction  
16 privilege taxes and affiliated excise taxes incurred as a result of the  
17 sale of spirituous liquor, as defined in section 4-101, at the licensed  
18 establishment and imposed on the licensed establishments by this state and  
19 its political subdivisions.

20           4. Other state tax officials whose official duties require the  
21 disclosure for proper tax administration purposes if the information is  
22 sought in connection with an investigation or any other proceeding  
23 conducted by the official. Any disclosure is limited to information of a  
24 taxpayer who is being investigated or who is a party to a proceeding  
25 conducted by the official.

26           5. The following agencies, officials and organizations, if they  
27 grant substantially similar privileges to the department for the type of  
28 information being sought, pursuant to statute and a written agreement  
29 between the department and the foreign country, agency, state, Indian  
30 tribe or organization:

31           (a) The United States internal revenue service, alcohol and tobacco  
32 tax and trade bureau of the United States treasury, United States bureau  
33 of alcohol, tobacco, firearms and explosives of the United States  
34 department of justice, United States drug enforcement agency and federal  
35 bureau of investigation.

36           (b) A state tax official of another state.

37           (c) An organization of states, federation of tax administrators or  
38 multistate tax commission that operates an information exchange for tax  
39 administration purposes.

40           (d) An agency, official or organization of a foreign country with  
41 responsibilities that are comparable to those listed in subdivision (a),  
42 (b) or (c) of this paragraph.

43           (e) An agency, official or organization of an Indian tribal  
44 government with responsibilities comparable to the responsibilities of the

1 agencies, officials or organizations identified in subdivision (a), (b) or  
2 (c) of this paragraph.

3 6. The auditor general, in connection with any audit of the  
4 department subject to the restrictions in section 42-2002, subsection D.

5 7. Any person to the extent necessary for effective tax  
6 administration in connection with:

7 (a) The processing, storage, transmission, destruction and  
8 reproduction of the information.

9 (b) The programming, maintenance, repair, testing and procurement  
10 of equipment for purposes of tax administration.

11 (c) The collection of the taxpayer's civil liability.

12 8. The office of administrative hearings relating to taxes  
13 administered by the department pursuant to section 42-1101, but the  
14 department shall not disclose any confidential information without the  
15 taxpayer's written consent:

16 (a) Regarding income tax or withholding tax.

17 (b) On any tax issue relating to information associated with the  
18 reporting of income tax or withholding tax.

19 9. The United States treasury inspector general for tax  
20 administration for the purpose of reporting a violation of internal  
21 revenue code section 7213A (26 United States Code section 7213A),  
22 unauthorized inspection of returns or return information.

23 10. The financial management service of the United States treasury  
24 department for use in the treasury offset program.

25 11. The United States treasury department or its authorized agent  
26 for use in the state income tax levy program and in the electronic federal  
27 tax payment system.

28 12. The Arizona commerce authority for its use in:

29 (a) Qualifying renewable energy operations for the tax incentives  
30 under section 42-12006.

31 (b) Qualifying businesses with a qualified facility for income tax  
32 credits under sections 43-1083.03 and 43-1164.04.

33 (c) Fulfilling its annual reporting responsibility pursuant to  
34 section 41-1512, subsections U and V and section 41-1517, subsection L.

35 (d) Certifying computer data centers for tax relief under section  
36 41-1519.

37 (e) Certifying applicants for the tax credit for motion picture  
38 production costs under sections 43-1082 and 43-1165.

39 13. A prosecutor for purposes of section 32-1164, subsection C.

40 14. The office of the state fire marshal for use in determining  
41 compliance with and enforcing title 37, chapter 9, article 5.

42 15. The department of transportation for its use in administering  
43 taxes, surcharges and penalties prescribed by title 28.

44 16. The Arizona health care cost containment system administration  
45 for its use in administering nursing facility provider assessments.

1           17. The department of administration risk management division and  
2 the office of the attorney general if the information relates to a claim  
3 against this state pursuant to section 12-821.01 involving the department  
4 of revenue.

5           18. Another state agency if the taxpayer authorizes the disclosure  
6 of confidential information in writing, including an authorization that is  
7 part of an application form or other document submitted to the agency.

8           19. The department of economic security for its use in determining  
9 whether an employer has paid all amounts due under the unemployment  
10 insurance program pursuant to title 23, chapter 4.

11           20. The department of health services for its use in determining  
12 the following:

13           (a) Whether a medical marijuana dispensary is in compliance with  
14 the tax requirements of chapter 5 of this title for the purposes of  
15 section 36-2806, subsection A.

16           (b) Whether a marijuana establishment, marijuana testing facility  
17 or dual licensee licensed under title 36, chapter 28.2 is in compliance  
18 with the tax obligations under this title or title 43.

19           21. The Arizona department of agriculture for the purpose of  
20 ascertaining compliance with the licensing provisions in title 3.

21           22. THE OFFICE OF ECONOMIC OPPORTUNITY FOR THE PURPOSE OF  
22 PERFORMING THE DUTIES AND OBLIGATIONS TO OR ON BEHALF OF THIS STATE  
23 PRESCRIBED BY TITLE 41, CHAPTER 53.

24           C. Confidential information may be disclosed in any state or  
25 federal judicial or administrative proceeding pertaining to tax  
26 administration pursuant to the following conditions:

27           1. One or more of the following circumstances must apply:

28           (a) The taxpayer is a party to the proceeding.

29           (b) The proceeding arose out of, or in connection with, determining  
30 the taxpayer's civil or criminal liability, or the collection of the  
31 taxpayer's civil liability, with respect to any tax imposed under this  
32 title or title 43.

33           (c) The treatment of an item reflected on the taxpayer's return is  
34 directly related to the resolution of an issue in the proceeding.

35           (d) Return information directly relates to a transactional  
36 relationship between a person who is a party to the proceeding and the  
37 taxpayer and directly affects the resolution of an issue in the  
38 proceeding.

39           2. Confidential information may not be disclosed under this  
40 subsection if the disclosure is prohibited by section 42-2002, subsection  
41 C or D.

42           D. Identity information may be disclosed for purposes of notifying  
43 persons entitled to tax refunds if the department is unable to locate the  
44 persons after reasonable effort.

1 E. The department, on the request of any person, shall provide the  
2 names and addresses of bingo licensees as defined in section 5-401, verify  
3 whether or not a person has a privilege license and number, a tobacco  
4 product distributor's license and number or a withholding license and  
5 number or disclose the information to be posted on the department's  
6 website or otherwise publicly accessible pursuant to section 42-1124,  
7 subsection F and section 42-3401.

8 F. A department employee, in connection with the official duties  
9 relating to any audit, collection activity or civil or criminal  
10 investigation, may disclose return information to the extent that  
11 disclosure is necessary to obtain information that is not otherwise  
12 reasonably available. These official duties include the correct  
13 determination of and liability for tax, the amount to be collected or the  
14 enforcement of other state tax revenue laws.

15 G. Confidential information relating to transaction privilege tax,  
16 use tax, severance tax, jet fuel excise and use tax and any other tax  
17 collected by the department on behalf of any jurisdiction may be disclosed  
18 to any county, city or town tax official if the information relates to a  
19 taxpayer who is or may be taxable by a county, city or town or who may be  
20 subject to audit by the department pursuant to section 42-6002. Any  
21 taxpayer information that is released by the department to the county,  
22 city or town:

23 1. May be used only for internal purposes, including audits. If  
24 there is a legitimate business need relating to enforcing laws,  
25 regulations and ordinances pursuant to section 9-500.39 or 11-269.17, a  
26 county, city or town tax official may redisclose transaction privilege tax  
27 information relating to a vacation rental or short-term rental property  
28 owner or online lodging operator from the new license report and license  
29 update report, subject to the following:

30 (a) The information redisclosed is limited to the following:

31 (i) The transaction privilege tax license number.

32 (ii) The type of organization or ownership of the business.

33 (iii) The legal business name and doing business as name, if  
34 different from the legal name.

35 (iv) The business mailing address, tax record physical location  
36 address, telephone number, email address and fax number.

37 (v) The date the business started in this state, the business  
38 description and the North American industry classification system code.

39 (vi) The name, address and telephone number for each owner,  
40 partner, corporate officer, member, managing member or official of the  
41 employing unit.

42 (b) Redisclosure is limited to nonelected officials in other units  
43 within the county, city or town. The information may not be redisclosed  
44 to an elected official or the elected official's staff.

1 (c) All redisclosures of confidential information made pursuant to  
2 this paragraph are subject to paragraph 2 of this subsection.

3 2. May not be disclosed to the public in any manner that does not  
4 comply with confidentiality standards established by the department. The  
5 county, city or town shall agree in writing with the department that any  
6 release of confidential information that violates the confidentiality  
7 standards adopted by the department will result in the immediate  
8 suspension of any rights of the county, city or town to receive taxpayer  
9 information under this subsection.

10 H. The department may disclose statistical information gathered  
11 from confidential information if it does not disclose confidential  
12 information attributable to any one taxpayer. The department may disclose  
13 statistical information gathered from confidential information, even if it  
14 discloses confidential information attributable to a taxpayer, to:

15 1. The state treasurer in order to comply with the requirements of  
16 section 42-5029, subsection A, paragraph 3.

17 2. The joint legislative income tax credit review committee, the  
18 joint legislative budget committee staff and the legislative staff in  
19 order to comply with the requirements of section 43-221.

20 I. The department may disclose the aggregate amounts of any tax  
21 credit, tax deduction or tax exemption enacted after January 1, 1994.  
22 Information subject to disclosure under this subsection shall not be  
23 disclosed if a taxpayer demonstrates to the department that such  
24 information would give an unfair advantage to competitors.

25 J. Except as provided in section 42-2002, subsection C,  
26 confidential information, described in section 42-2001, paragraph 1,  
27 subdivision (a), item (ii), may be disclosed to law enforcement agencies  
28 for law enforcement purposes.

29 K. The department may provide transaction privilege tax license  
30 information to property tax officials in a county for the purpose of  
31 identification and verification of the tax status of commercial property.

32 L. The department may provide transaction privilege tax, luxury  
33 tax, use tax, property tax and severance tax information to the  
34 ombudsman-citizens aide pursuant to title 41, chapter 8, article 5.

35 M. Except as provided in section 42-2002, subsection D, a court may  
36 order the department to disclose confidential information pertaining to a  
37 party to an action. An order shall be made only on a showing of good  
38 cause and that the party seeking the information has made demand on the  
39 taxpayer for the information.

40 N. This section does not prohibit the disclosure by the department  
41 of any information or documents submitted to the department by a bingo  
42 licensee. Before disclosing the information, the department shall obtain  
43 the name and address of the person requesting the information.

1           O. If the department is required or allowed to disclose  
2 confidential information, it may charge the person or agency requesting  
3 the information for the reasonable cost of its services.

4           P. Except as provided in section 42-2002, subsection D, the  
5 department of revenue shall release confidential information as requested  
6 by the department of economic security pursuant to section 42-1122 or  
7 46-291. Information disclosed under this subsection is limited to the  
8 same type of information that the United States internal revenue service  
9 is authorized to disclose under section 6103(1)(6) of the internal revenue  
10 code.

11           Q. Except as provided in section 42-2002, subsection D, the  
12 department shall release confidential information as requested by the  
13 courts and clerks of the court pursuant to section 42-1122.

14           R. To comply with the requirements of section 42-5031, the  
15 department may disclose to the state treasurer, to the county stadium  
16 district board of directors and to any city or town tax official that is  
17 part of the county stadium district confidential information attributable  
18 to a taxpayer's business activity conducted in the county stadium  
19 district.

20           S. The department shall release to the attorney general  
21 confidential information as requested by the attorney general for purposes  
22 of determining compliance with or enforcing any of the following:

23           1. Any public health control law relating to tobacco sales as  
24 provided under title 36, chapter 6, article 14.

25           2. Any law relating to reduced cigarette ignition propensity  
26 standards as provided under title 37, chapter 9, article 5.

27           3. Sections 44-7101 and 44-7111, the master settlement agreement  
28 referred to in those sections and all agreements regarding disputes under  
29 the master settlement agreement.

30           T. For proceedings before the department, the office of  
31 administrative hearings, the state board of tax appeals or any state or  
32 federal court involving penalties that were assessed against a return  
33 preparer, an electronic return preparer or a payroll service company  
34 pursuant to section 42-1103.02, 42-1125.01 or 43-419, confidential  
35 information may be disclosed only before the judge or administrative law  
36 judge adjudicating the proceeding, the parties to the proceeding and the  
37 parties' representatives in the proceeding prior to its introduction into  
38 evidence in the proceeding. The confidential information may be  
39 introduced as evidence in the proceeding only if the taxpayer's name, the  
40 names of any dependents listed on the return, all social security numbers,  
41 the taxpayer's address, the taxpayer's signature and any attachments  
42 containing any of the foregoing information are redacted and if either:

43           1. The treatment of an item reflected on such a return is or may be  
44 related to the resolution of an issue in the proceeding.



1           2. Such a return or the return information relates or may relate to  
2 a transactional relationship between a person who is a party to the  
3 proceeding and the taxpayer that directly affects the resolution of an  
4 issue in the proceeding.

5           3. The method of payment of the taxpayer's withholding tax  
6 liability or the method of filing the taxpayer's withholding tax return is  
7 an issue for the period.

8           U. The department and attorney general may share the information  
9 specified in subsection S of this section with any of the following:

10           1. Federal, state or local agencies located in this state for the  
11 purposes of enforcement of the statutes or agreements specified in  
12 subsection S of this section or for the purposes of enforcement of  
13 corresponding laws of other states.

14           2. Indian tribes located in this state for the purposes of  
15 enforcement of the statutes or agreements specified in subsection S of  
16 this section.

17           3. A court, arbitrator, data clearinghouse or similar entity for  
18 the purpose of assessing compliance with or making calculations required  
19 by the master settlement agreement or agreements regarding disputes under  
20 the master settlement agreement, and with counsel for the parties or  
21 expert witnesses in any such proceeding, if the information otherwise  
22 remains confidential.

23           V. The department may provide the name and address of qualifying  
24 hospitals and qualifying health care organizations, as defined in section  
25 42-5001, to a business that is classified and reporting transaction  
26 privilege tax under the utilities classification.

27           W. The department may disclose to an official of any city, town or  
28 county in a current agreement or considering a prospective agreement with  
29 the department as described in section 42-5032.02, subsection G any  
30 information relating to amounts that are subject to distribution and that  
31 are required by section 42-5032.02. Information disclosed by the  
32 department under this subsection:

33           1. May be used only by the city, town or county for internal  
34 purposes.

35           2. May not be disclosed to the public in any manner that does not  
36 comply with confidentiality standards established by the department. The  
37 city, town or county must agree with the department in writing that any  
38 release of confidential information that violates the confidentiality  
39 standards will result in the immediate suspension of any rights of the  
40 city, town or county to receive information under this subsection.

41           X. Notwithstanding any other provision of this section, the  
42 department may not disclose information provided by an online lodging  
43 marketplace, as defined in section 42-5076, without the written consent of  
44 the online lodging marketplace, and the information may be disclosed only  
45 pursuant to subsection A, paragraphs 1 through 6, 8 and 10, subsection B,

1 paragraphs 1, 2, 7 and 8 and subsections C, D and G of this section. Such  
2 information:

3 1. Is not subject to disclosure pursuant to title 39, relating to  
4 public records.

5 2. May not be disclosed to any agency of this state or of any  
6 county, city, town or other political subdivision of this state.

7 Sec. 2. Section 42-5009, Arizona Revised Statutes, is amended to  
8 read:

9 42-5009. Certificates establishing deductions; liability for  
10 making false certificate; tax exclusion;  
11 definitions

12 A. A person who conducts any business classified under article 2 of  
13 this chapter may establish entitlement to the allowable deductions from  
14 the tax base of that business by both:

15 1. Marking the invoice for the transaction to indicate that the  
16 gross proceeds of sales or gross income derived from the transaction was  
17 deducted from the tax base.

18 2. Obtaining a certificate executed by the purchaser indicating the  
19 name and address of the purchaser, the precise nature of the business of  
20 the purchaser, the purpose for which the purchase was made, the necessary  
21 facts to establish the appropriate deduction and the tax license number of  
22 the purchaser to the extent the deduction depends on the purchaser  
23 conducting business classified under article 2 of this chapter and a  
24 certification that the person executing the certificate is authorized to  
25 do so on behalf of the purchaser. The certificate may be disregarded if  
26 the seller has reason to believe that the information contained in the  
27 certificate is not accurate or complete.

28 B. A person who does not comply with subsection A of this section  
29 may establish entitlement to the deduction by presenting facts necessary  
30 to support the entitlement, but the burden of proof is on that person.

31 C. The department may prescribe a form for the certificate  
32 described in subsection A of this section. Under such rules as it may  
33 prescribe, the department may also describe transactions with respect to  
34 which a person is not entitled to rely solely on the information contained  
35 in the certificate provided for in subsection A of this section but must  
36 instead obtain such additional information as required by the rules in  
37 order to be entitled to the deduction.

38 D. If a seller is entitled to a deduction by complying with  
39 subsection A of this section, the department may require the purchaser  
40 that caused the execution of the certificate to establish the accuracy and  
41 completeness of the information required to be contained in the  
42 certificate that would entitle the seller to the deduction. If the  
43 purchaser cannot establish the accuracy and completeness of the  
44 information, the purchaser is liable in an amount equal to any tax,  
45 penalty and interest that the seller would have been required to pay under

1 this article if the seller had not complied with subsection A of this  
2 section. Payment of the amount under this subsection exempts the  
3 purchaser from liability for any tax imposed under article 4 of this  
4 chapter. The amount shall be treated as tax revenues collected from the  
5 seller in order to designate the distribution base for purposes of section  
6 42-5029.

7 E. If a seller is entitled to a deduction by complying with  
8 subsection B of this section, the department may require the purchaser to  
9 establish the accuracy and completeness of the information provided to the  
10 seller that entitled the seller to the deduction. If the purchaser cannot  
11 establish the accuracy and completeness of the information, the purchaser  
12 is liable in an amount equal to any tax, penalty and interest that the  
13 seller would have been required to pay under this article if the seller  
14 had not complied with subsection B of this section. Payment of the amount  
15 under this subsection exempts the purchaser from liability for any tax  
16 imposed under article 4 of this chapter. The amount shall be treated as  
17 tax revenues collected from the seller in order to designate the  
18 distribution base for purposes of section 42-5029.

19 F. The department may prescribe a form for a certificate used to  
20 establish entitlement to the deductions described in section 42-5061,  
21 subsection A, paragraph 46 and section 42-5063, subsection B, paragraph 3.  
22 Under rules the department may prescribe, the department may also require  
23 additional information for the seller to be entitled to the deduction. If  
24 a seller is entitled to the deductions described in section 42-5061,  
25 subsection A, paragraph 46 and section 42-5063, subsection B, paragraph 3,  
26 the department may require the purchaser who executed the certificate to  
27 establish the accuracy and completeness of the information contained in  
28 the certificate that would entitle the seller to the deduction. If the  
29 purchaser cannot establish the accuracy and completeness of the  
30 information, the purchaser is liable in an amount equal to any tax,  
31 penalty and interest that the seller would have been required to pay under  
32 this article. Payment of the amount under this subsection exempts the  
33 purchaser from liability for any tax imposed under article 4 of this  
34 chapter. The amount shall be treated as tax revenues collected from the  
35 seller in order to designate the distribution base for purposes of section  
36 42-5029.

37 G. If a seller claims a deduction under section 42-5061,  
38 subsection A, paragraph 25 and establishes entitlement to the deduction  
39 with an exemption letter that the purchaser received from the department  
40 and the exemption letter was based on a contingent event, the department  
41 may require the purchaser that received the exemption letter to establish  
42 the satisfaction of the contingent event within a reasonable time. If the  
43 purchaser cannot establish the satisfaction of the event, the purchaser is  
44 liable in an amount equal to any tax, penalty and interest that the seller  
45 would have been required to pay under this article if the seller had not

1 been furnished the exemption letter. Payment of the amount under this  
2 subsection exempts the purchaser from liability for any tax imposed under  
3 article 4 of this chapter. The amount shall be treated as tax revenues  
4 collected from the seller in order to designate the distribution base for  
5 purposes of section 42-5029. For the purposes of this subsection,  
6 "reasonable time" means a time limitation that the department determines  
7 and that does not exceed the time limitations pursuant to section 42-1104.

8 H. The department shall prescribe forms for certificates used to  
9 establish the satisfaction of the criteria necessary to qualify the sale  
10 of a motor vehicle for the deductions described in section 42-5061,  
11 subsection A, paragraph 14, paragraph 28, ~~subdivision (a)~~ and paragraph 44  
12 and subsection U. Except as provided in subsection J of this section, to  
13 establish entitlement to these deductions, a motor vehicle dealer shall  
14 retain:

15 1. A valid certificate as prescribed by this subsection completed  
16 by the purchaser and obtained before the issuance of the nonresident  
17 registration permit authorized by section 28-2154.

18 2. FOR THE PURPOSES OF THE DEDUCTIONS PROVIDED BY SECTION 42-5061,  
19 SUBSECTION A, PARAGRAPH 14, SUBDIVISION (b) AND SECTION 42-5061,  
20 SUBSECTION U, a copy of the nonresident registration permit authorized by  
21 section 28-2154.

22 3. A legible copy of a current valid driver license issued to the  
23 purchaser by another state or foreign country that indicates an address  
24 outside of this state. For the sale of a motor vehicle to a nonresident  
25 entity, the entity's representative must have a current valid driver  
26 license issued by the same jurisdiction as that in which the entity is  
27 located.

28 4. For the purposes of the deduction provided by section 42-5061,  
29 subsection A, paragraph 14, subdivision (a), a certificate documenting the  
30 delivery of the motor vehicle to an out-of-state location.

31 I. Notwithstanding subsection A, paragraph 2 of this section, if a  
32 motor vehicle dealer has established entitlement to a deduction by  
33 complying with subsection H of this section, the department may require  
34 the purchaser who executed the certificate to establish the accuracy and  
35 completeness of the information contained in the certificate that entitled  
36 the motor vehicle dealer to the deduction. If the purchaser cannot  
37 establish the accuracy and completeness of the information, the purchaser  
38 is liable in an amount equal to any tax, penalty and interest that the  
39 motor vehicle dealer would have been required to pay under this article  
40 and under articles IV and V of the model city tax code as defined in  
41 section 42-6051. Payment of the amount under this subsection exempts the  
42 purchaser from liability for any tax imposed under article 4 of this  
43 chapter and any tax imposed under article VI of the model city tax code as  
44 defined in section 42-6051. The amount shall be treated as tax revenues

1 collected from the motor vehicle dealer in order to designate the  
2 distribution base for purposes of section 42-5029.

3 J. To establish entitlement to the deduction described in section  
4 42-5061, subsection A, paragraph 44, a public consignment auction dealer  
5 as defined in section 28-4301 shall ~~submit~~ RETAIN A COPY OF the ~~valid~~  
6 certificate prescribed by subsection H of this section ~~to the department~~  
7 ~~and retain a copy~~ for its records.

8 K. Notwithstanding any other law, compliance with subsection H of  
9 this section by a motor vehicle dealer entitles the motor vehicle dealer  
10 to the exemption provided in section 42-6004, subsection A, paragraph 4.

11 L. The department shall prescribe a form for a certificate to be  
12 used by a person that is not subject to tax under section 42-5075 when the  
13 person is engaged by a contractor that is subject to tax under section  
14 42-5075 for a project that is taxable under section 42-5075. The  
15 certificate permits the person purchasing tangible personal property to be  
16 incorporated or fabricated by the person into any real property,  
17 structure, project, development or improvement to provide documentation to  
18 a retailer that the sale of tangible personal property qualifies for the  
19 deduction under section 42-5061, subsection A, paragraph 27,  
20 subdivision (b). A prime contractor shall obtain the certificate from the  
21 department and shall provide a copy to any such person working on the  
22 project. The prime contractor shall obtain a new certificate for each  
23 project to which this subsection applies. For the purposes of this  
24 subsection, the following apply:

25 1. The person that is not subject to tax under section 42-5075 may  
26 use the certificate issued pursuant to this subsection only with respect  
27 to tangible personal property that will be incorporated into a project for  
28 which the gross receipts are subject to tax under section 42-5075.

29 2. The department shall issue the certificate to the prime  
30 contractor on receiving sufficient documentation to establish that the  
31 prime contractor meets the requirements of this subsection.

32 3. If any person uses the certificate provided under this  
33 subsection to purchase tangible personal property to be used in a project  
34 that is not subject to tax under section 42-5075, the person is liable in  
35 an amount equal to any tax, penalty and interest that the seller would  
36 have been required to pay under this article if the seller had not  
37 complied with subsection A of this section. Payment of the amount under  
38 this section exempts the person from liability for any tax imposed under  
39 article 4 of this chapter. The amount shall be sourced under section  
40 42-5040, subsection A, paragraph 2.

41 M. Notwithstanding any other law, compliance with subsection L of  
42 this section by a person that is not subject to tax under section 42-5075  
43 entitles the person to the exemption allowed by section 465,  
44 subsection (k) of the model city tax code when purchasing tangible

1 personal property to be incorporated or fabricated by the person into any  
2 real property, structure, project, development or improvement.

3 N. The requirements of subsections A and B of this section do not  
4 apply to owners, proprietors or tenants of agricultural lands or farms who  
5 sell livestock or poultry feed that is grown or raised on their lands to  
6 any of the following:

7 1. Persons who feed their own livestock or poultry.

8 2. Persons who are engaged in the business of producing livestock  
9 or poultry commercially.

10 3. Persons who are engaged in the business of feeding livestock or  
11 poultry commercially or who board livestock noncommercially.

12 O. A vendor who has reason to believe that a certificate prescribed  
13 by this section is not accurate or complete will not be relieved of the  
14 burden of proving entitlement to the exemption. A vendor that accepts a  
15 certificate in good faith will be relieved of the burden of proof and the  
16 purchaser may be required to establish the accuracy of the claimed  
17 exemption. If the purchaser cannot establish the accuracy and  
18 completeness of the information provided in the certificate, the purchaser  
19 is liable for an amount equal to the transaction privilege tax, penalty  
20 and interest that the vendor would have been required to pay if the vendor  
21 had not accepted the certificate.

22 P. Notwithstanding any other law, an online lodging operator, as  
23 defined in section 42-5076, shall be entitled to an exclusion from any  
24 applicable taxes for any online lodging transaction, as defined in section  
25 42-5076, facilitated by an online lodging marketplace, as defined in  
26 section 42-5076, for which the online lodging operator has obtained from  
27 the online lodging marketplace written notice that the online lodging  
28 marketplace is registered with the department to collect applicable taxes  
29 for all online lodging transactions facilitated by the online lodging  
30 marketplace, and transaction history documenting tax collected by the  
31 online lodging marketplace, pursuant to section 42-5005, subsection L.

32 Q. The department shall prescribe the form of a certificate to be  
33 used by a person purchasing an aircraft to document eligibility for a  
34 deduction pursuant to section 42-5061, subsection B, paragraph 8,  
35 subdivision (a), item (v) or an exemption pursuant to section 42-5159,  
36 subsection B, paragraph 8, subdivision (a), item (v), relating to  
37 aircraft. The person must provide this certificate and documentation  
38 confirming that the operational control of the aircraft has been  
39 transferred or will be transferred immediately after the purchase to one  
40 or more persons described in section 42-5061, subsection B, paragraph 8,  
41 subdivision (a), item (i), (ii), (iii) or (iv) or section 42-5159,  
42 subsection B, paragraph 8, subdivision (a), item (i), (ii), (iii) or (iv).  
43 Operational control of the aircraft must be transferred for at least fifty  
44 percent of the aircraft's flight hours. If such operational control is  
45 not transferred for at least fifty percent of the aircraft's flight hours

1 during the recapture period, the owner of the aircraft is liable for an  
2 amount equal to any tax that the seller or purchaser would have been  
3 required to pay under this chapter at the time of the sale, plus penalty  
4 and interest. The recapture period begins on the date that operational  
5 control of the aircraft is first transferred and ends on the later of the  
6 date the aircraft is fully depreciated for federal income tax purposes or  
7 five years after operational control was first transferred. For the  
8 purposes of this subsection, operational control of the aircraft must be  
9 within the meaning of federal aviation administration operations  
10 specification A008, or its successor, except that:

11 1. If it is determined that operational control has been  
12 transferred for less than fifty percent but more than forty percent of the  
13 aircraft's flight hours, the owner of the aircraft is liable for an amount  
14 equal to any tax that the seller or purchaser would have been required to  
15 pay under this chapter at the time of the sale, plus interest.

16 2. If the aircraft is sold during the recapture period, the seller  
17 is not liable for the amount determined pursuant to this subsection unless  
18 the operational control of the aircraft had not been transferred for at  
19 least fifty percent of the aircraft's flight hours at the time of the  
20 sale.

21 R. Notwithstanding any other law, a shared vehicle owner is  
22 entitled to an exclusion from any applicable taxes for a shared vehicle  
23 transaction that is facilitated by a peer-to-peer car sharing program and  
24 for which the peer-to-peer car sharing program has collected and remitted  
25 applicable taxes.

26 S. For the purposes of this section, "peer-to-peer car sharing  
27 program", "shared vehicle owner" and "shared vehicle transaction" have the  
28 same meanings prescribed in section 28-9601.

29 Sec. 3. Section 42-5122, Arizona Revised Statutes, is amended to  
30 read:

31 42-5122. Tax exemption; sales to Indian tribes, tribally  
32 owned businesses, tribal entities and affiliated  
33 Indians

34 The taxes imposed by this chapter do not apply to the gross proceeds  
35 of sales or gross income derived from any of the following:

36 1. Business activities performed by ~~an~~ THE Indian tribe,  
37 ~~a~~ tribally owned business, ~~a~~ tribal entity or ~~an~~ affiliated Indian if  
38 the business activity takes place on ~~an~~ THE Indian reservation.

39 2. Business activities performed by a nonaffiliated Indian or  
40 non-Indian vendor on an Indian reservation for ~~an~~ THE Indian tribe,  
41 ~~a~~ tribal entity or ~~an~~ affiliated Indian.

42 3. Contracting activities performed on an Indian reservation by ~~an~~  
43 THE Indian tribe, ~~a~~ tribally owned business, ~~a~~ tribal entity or ~~an~~  
44 affiliated Indian.

1 4. Contracting activities performed for ~~an~~ THE Indian tribe,  
2 ~~a~~ tribally owned business, ~~a~~ tribal entity or ~~an~~ affiliated Indian on ~~an~~  
3 THE Indian reservation by a nonaffiliated Indian or non-Indian contractor.

4 5. Retail sales of tangible personal property to ~~an~~ THE Indian  
5 tribe, ~~a~~ tribally owned business, ~~a~~ tribal entity or ~~an~~ affiliated  
6 Indian if the sale of tangible personal property takes place on ~~an~~ THE  
7 Indian reservation. A sale is deemed to take place on ~~an~~ THE Indian  
8 reservation if the tangible personal property is ordered from and  
9 delivered on an Indian reservation.

10 6. The sale of a motor vehicle to an enrolled member of an Indian  
11 tribe who resides on the Indian reservation established for that Indian  
12 tribe.

13 Sec. 4. Repeal

14 Section 42-11057, Arizona Revised Statutes, is repealed.

15 Sec. 5. Section 42-13004, Arizona Revised Statutes, is amended to  
16 read:

17 42-13004. Data processing equipment and systems

18 A. County assessors shall use data processing systems that are  
19 prescribed by the department, but a county assessor who has a data  
20 processing system that is compatible with the system prescribed by the  
21 department may continue to use that system if it is coordinated with the  
22 system prescribed by the department.

23 B. A county may contract with a private supplier or with another  
24 political subdivision for equipment or services that are necessary to meet  
25 the requirements of the department if the data processing system is  
26 compatible and coordinated with the system prescribed by the department.

27 C. If a county does not own, lease or contract for data processing  
28 equipment or services that are necessary to meet the department's  
29 requirements, the department may contract with the county to furnish the  
30 equipment or services to the county.

31 D. On application by the board of supervisors, the department shall  
32 authorize a county to prepare its own tax rolls and assessment abstracts  
33 if the data processing system used by the county in preparing the rolls  
34 and abstracts is compatible and coordinated with the system prescribed by  
35 the department.

36 E. The office of THE county assessor is responsible for paying the  
37 cost of its data processing system and permanent records that are  
38 prescribed by the department.

39 F. Monies collected by the department pursuant to subsections C and  
40 E of this section shall be ~~distributed as follows:~~

41 ~~1. The first sixty cents per parcel collected pursuant to an~~  
42 ~~intergovernmental agreement between the department and the county assessor~~  
43 ~~for data processing services shall be~~ deposited in the state general fund.



1 ~~2. Any additional monies collected in excess of sixty cents per~~  
2 ~~parcel shall be deposited in the client county equipment capitalization~~  
3 ~~fund established in section 42-11057.~~

4 ~~6. The unencumbered fiscal year-end fund balance shall not exceed~~  
5 ~~three hundred thousand dollars. Any unencumbered fiscal year-end balance~~  
6 ~~in excess of three hundred thousand dollars shall be transferred to the~~  
7 ~~state general fund.~~

8 Sec. 6. Section 42-16209, Arizona Revised Statutes, is amended to  
9 read:

10 42-16209. Service on defendants

11 A. A copy of the notice of appeal shall be served on the defendant  
12 or defendants ~~and on the department~~ within ten days after filing in the  
13 manner provided for service of process in the rules of civil procedure or  
14 by certified mail.

15 B. In an appeal taken by the county or the department, service  
16 shall be on the person in whose name the property is listed at the address  
17 shown on the current tax roll within ten days after filing.

18 C. An affidavit showing service shall be filed with the clerk of  
19 the court.

20 Sec. 7. Section 43-1014, Arizona Revised Statutes, is amended to  
21 read:

22 43-1014. Entity-level tax election; partnerships; S  
23 corporations; rules

24 A. For taxable years beginning from and after December 31, 2021,  
25 the partners or shareholders of a business that is treated as a  
26 partnership or S corporation for federal income tax purposes may consent  
27 to be taxed at the entity level at a tax rate that is the same as the  
28 **HIGHEST** tax rate prescribed by section 43-1011 applicable to the entire  
29 portion of its taxable income that is attributable to its resident  
30 partners or shareholders and the portion of its taxable income derived  
31 from sources within this state that is attributable to its nonresident  
32 partners or shareholders for that taxable year. The election under this  
33 subsection must be made on or before the due date or extended due date of  
34 the business's return under this title.

35 B. If the election is made under subsection A of this section, all  
36 of the following apply:

37 1. The taxable income of the partnership or S corporation is as  
38 follows:

39 (a) For a partnership, the Arizona taxable income determined under  
40 chapter 14 of this title.

41 (b) For an S corporation, the total of all distributive income  
42 passed through to the shareholders under section 43-1126, subsection B.

43 2. If the partnership or S corporation does not pay the amount owed  
44 to the department as a result of the election under this section, the  
45 department may collect the amount from the partners or shareholders based

1 on the proportionate share of income that is attributable to each partner  
2 or shareholder for Arizona tax purposes.

3 3. The partnership or S corporation shall pay estimated tax  
4 pursuant to section 43-581 as necessary.

5 C. The election under subsection A of this section does not apply  
6 to the following:

7 1. Partners or shareholders that are not individuals, estates or  
8 trusts. The portion of the taxable income attributable to a partner or  
9 shareholder that is not an individual, estate or trust is not included in  
10 the entity-level tax under subsection A of this section.

11 2. Partners or shareholders who are individuals, estates or trusts  
12 and who opt out of the election pursuant to subsection D of this  
13 section. The portion of the taxable income attributable to a partner or  
14 shareholder who is an individual, estate or trust and who opts out of the  
15 election pursuant to subsection D of this section is not included in the  
16 entity-level tax under subsection A of this section.

17 D. A partnership or S corporation that intends to make the election  
18 under subsection A of this section shall notify all partners or  
19 shareholders who are individuals, estates or trusts of the intent to make  
20 the election and that each partner or shareholder who is an individual,  
21 estate or trust has the right to opt out of the election. The notice  
22 shall allow each partner or shareholder who is an individual, estate or  
23 trust at least sixty days after receiving the notice to notify the  
24 partnership or S corporation that the partner or shareholder who is an  
25 individual, estate or trust is exercising the partner's or shareholder's  
26 right to opt out of the election. If the partner or shareholder who is an  
27 individual, estate or trust does not respond within the sixty-day period  
28 or waives the right to opt out, the partner or shareholder will be  
29 included in the election.

30 E. The department shall adopt rules and prescribe forms and  
31 procedures as necessary to administer this section.

32 Sec. 8. Section 43-1088, Arizona Revised Statutes, is amended to  
33 read:

34 43-1088. Credit for contribution to qualifying charitable  
35 organizations; definitions

36 A. Except as provided in subsections B and C of this section, a  
37 credit is allowed against the taxes imposed by this title for voluntary  
38 cash contributions by the taxpayer or on the taxpayer's behalf pursuant to  
39 section 43-401, subsection G during the taxable year to a qualifying  
40 charitable organization, other than a qualifying foster care charitable  
41 organization, not to exceed:

42 1. \$400 in any taxable year for a single individual or a head of  
43 household.

44 2. \$800 in any taxable year for a married couple filing a joint  
45 return.

1 B. A separate credit is allowed for voluntary cash contributions  
2 during the taxable year to a qualifying foster care charitable  
3 organization. A contribution to a qualifying foster care charitable  
4 organization does not qualify for, and shall not be included in, any  
5 credit amount under subsection A of this section. If the voluntary cash  
6 contribution by the taxpayer or on the taxpayer's behalf pursuant to  
7 section 43-401, subsection G is to a qualifying foster care charitable  
8 organization, the credit shall not exceed:

9 1. \$500 in any taxable year for a single individual or a head of  
10 household.

11 2. \$1,000 in any taxable year for a married couple filing a joint  
12 return.

13 C. Subsections A and B of this section provide separate credits  
14 against taxes imposed by this title depending on the recipients of the  
15 contributions. A taxpayer, including a married couple filing a joint  
16 return, in the same taxable year, may either or both:

17 1. Contribute to a qualifying charitable organization, other than a  
18 qualifying foster care charitable organization, and claim a credit under  
19 subsection A of this section.

20 2. Contribute to a qualifying foster care charitable organization  
21 and claim a credit under subsection B of this section.

22 D. A husband and wife who file separate returns for a taxable year  
23 in which they could have filed a joint return may each claim only one-half  
24 of the tax credit that would have been allowed for a joint return.

25 E. For the purposes of this section, a contribution for which a  
26 credit is claimed and that is made on or before the fifteenth day of the  
27 fourth month following the close of the taxable year may be applied to  
28 either the current or preceding taxable year and is considered to have  
29 been made on the last day of that taxable year.

30 F. If the allowable tax credit exceeds the taxes otherwise due  
31 under this title on the claimant's income, or if there are no taxes due  
32 under this title, the taxpayer may carry forward the amount of the claim  
33 not used to offset the taxes under this title for not more than five  
34 consecutive taxable years' income tax liability.

35 G. The credit allowed by this section is in lieu of a deduction  
36 pursuant to section 170 of the internal revenue code and taken for state  
37 tax purposes.

38 H. For taxable years beginning from and after December 31, 2022,  
39 the department shall adjust the dollar amounts prescribed in subsection A,  
40 paragraphs 1 and 2 of this section and subsection B, paragraphs 1 and 2 of  
41 this section according to the average annual change in the metropolitan  
42 Phoenix consumer price index published by the United States department of  
43 labor, bureau of labor statistics. The revised dollar amounts shall be  
44 raised to the nearest whole dollar. The dollar amounts may not be revised  
45 below the amounts prescribed in the prior taxable year.

1 I. Taxpayers taking a credit authorized by this section shall  
2 provide the name of the qualifying charitable organization and the amount  
3 of the contribution to the department of revenue on forms provided by the  
4 department.

5 J. A qualifying charitable organization shall provide the  
6 department of revenue with a written certification that it meets all  
7 criteria to be considered a qualifying charitable organization. The  
8 organization shall also notify the department of any changes that may  
9 affect the qualifications under this section.

10 K. The charitable organization's written certification must be  
11 signed by an officer of the organization under penalty of perjury. The  
12 written certification must include the following:

13 1. Verification of the organization's status under section  
14 501(c)(3) of the internal revenue code or verification that the  
15 organization is a designated community action agency that receives  
16 community services block grant program monies pursuant to 42 United States  
17 Code section 9901.

18 2. Financial data indicating the organization's budget for the  
19 organization's prior operating year and the amount of that budget spent on  
20 services to residents of this state who either:

21 (a) Receive temporary assistance for needy families benefits.

22 (b) Are low-income residents.

23 (c) Are individuals who have a chronic illness or physical  
24 disability.

25 3. A statement that the organization plans to continue spending at  
26 least fifty percent of its budget on services to residents of this state  
27 who receive temporary assistance for needy families benefits, who are  
28 low-income residents or who are individuals who have a chronic illness or  
29 physical disability.

30 4. A statement that the organization does not provide, pay for or  
31 provide coverage of abortions and does not financially support any other  
32 entity that provides, pays for or provides coverage of abortions.

33 L. The department shall review each written certification and  
34 determine whether the organization meets all the criteria to be considered  
35 a qualifying charitable organization and notify the organization of its  
36 determination. The department may also periodically request  
37 recertification from the organization. The department shall compile and  
38 make available to the public a list of the qualifying charitable  
39 organizations.

40 M. For the purposes of this section:

41 1. "Individuals who have a chronic illness or physical disability"  
42 means individuals whose primary diagnosis is a severe physical condition  
43 that may require ongoing medical or surgical intervention.

44 2. "Low-income residents" means persons whose household income is  
45 less than one hundred fifty percent of the federal poverty level.

1           3. "Qualified individual" means any of the following:

2           (a) A foster child as defined in section 8-501.

3           (b) A person who is participating in an independent living program  
4 as prescribed in section 8-521.

5           (c) A person who is participating in a transitional independent  
6 living program as prescribed by section 8-521.01.

7           (d) A person who is participating in an extended foster care  
8 program as prescribed in section 8-521.02.

9           (e) A person who is under twenty-seven years of age and whose  
10 reason for leaving foster care is any of the following:

11           (i) Reaching eighteen years of age.

12           (ii) Adoption or legal guardianship after reaching fifteen years  
13 of age.

14           (iii) Reunification after reaching fourteen years of age.

15           4. "Qualifying charitable organization" means a charitable  
16 organization that is exempt from federal income taxation under section  
17 501(c)(3) of the internal revenue code or is a designated community action  
18 agency that receives community services block grant program monies  
19 pursuant to 42 United States Code section 9901. The organization must  
20 spend at least fifty percent of its budget on services to residents of  
21 this state who receive temporary assistance for needy families benefits,  
22 to low-income residents of this state and their households or to  
23 individuals who have a chronic illness or physical disability and who are  
24 residents of this state. Taxpayers choosing to make donations through an  
25 umbrella charitable organization that collects donations on behalf of  
26 member charities shall designate that the donation be directed to a member  
27 charitable organization that would qualify under this section on a  
28 stand-alone basis. Qualifying charitable organization does not include  
29 any entity that provides, pays for or provides coverage of abortions or  
30 that financially supports any other entity that provides, pays for or  
31 provides coverage of abortions.

32           5. "Qualifying foster care charitable organization" means a  
33 qualifying charitable organization that is exempt from federal income  
34 taxation under section 501(c)(3) of the internal revenue code or is a  
35 designated community action agency that receives community services block  
36 grant program monies pursuant to 42 United States Code section 9901 and  
37 that each operating year provides services to at least two hundred  
38 qualified individuals in this state and spends at least fifty percent of  
39 its budget on services to qualified individuals in this state.

40           6. "Services" means:

41           (a) For a qualifying charitable organization, cash assistance,  
42 medical care, child care, food, clothing, shelter, job placement and job  
43 training services or any other assistance that is reasonably necessary to  
44 meet immediate basic needs and that is provided and used in this state.

1 (b) For a qualifying foster care charitable organization, cash  
2 assistance, medical care, behavioral health services, child care, food,  
3 including snacks at the qualifying foster care charitable organization's  
4 foster youth ~~event~~ EVENTS, clothing, SHELTER, job placement services, job  
5 training services, character education programs, workforce development  
6 programs, secondary education student retention programs, housing or  
7 financial literacy services or any other assistance that is reasonably  
8 necessary to meet basic needs or provide normalcy and that is provided and  
9 used in this state. For the purposes of this subdivision:

10 (i) "Behavioral health services" has the same meaning prescribed in  
11 section 36-401.

12 (ii) "Character education program" means any program described in  
13 section 15-719, subsection B that is offered by a qualifying foster care  
14 charitable organization.

15 (iii) "Job training services" has the same meaning as vocational  
16 and technical preparation as defined in section 15-781.

17 (iv) "Normalcy" means the condition of experiencing a typical  
18 childhood by participating in activities that are age or  
19 developmentally-appropriate, as defined in 42 United States Code  
20 section 675.

21 (v) "Workforce development program" means any program recognized by  
22 the workforce Arizona council pursuant to section 41-5401.

APPROVED BY THE GOVERNOR MARCH 28, 2023.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MARCH 28, 2023.