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Arizona to create online portal for taxpayers to pay local taxes

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On May 11, 2012, the governor of Arizona signed HB 2466 authorizing a single point of filing and payment of local taxes through the use of an online portal. The portal must be fully operational on or before January 1, 2015. [[Arizona House Bill 2466](#), signed May 11, 2012]

Background

In Arizona, cities and towns may impose their own transaction privilege and affiliated excise taxes. The Department of Revenue ("Department") and any locality imposing such taxes can enter into an intergovernmental contract allowing for the Department to administer the locality's taxes. The agreement allows the participating localities to have a unified licensing, collection, and audit program with the Department. These intergovernmental contracts are not mandatory, and localities may implement their own systems of collecting and auditing their taxes. If a locality chooses to not engage in an intergovernmental contract, then the locality must collect its own taxes and must report to the Department on or before September 1 of each year the total amount of the aforementioned taxes collected by the locality in the preceding year.

In an effort to alleviate the complexity of this system, HB 2466 authorizes a single online portal for taxpayers to report their local taxes for localities that do not have intergovernmental contracts with the Department. The bill states that any taxpayer who is required to pay any municipal transaction privilege and affiliate excise taxes to a city or town that has not entered into an intergovernmental contract with the Department may report and pay the required tax to that city or town through the



established online portal. The bill requires that the online portal must be fully operational on or before January 1, 2015.

PwC Observes

Jennifer Jensen, SALT Director with PwC in Washington, DC, provides the following observation.

The ability to file for various local taxes on a single online portal is a welcome change for taxpayers in Arizona. Alabama recently enacted a similar bill also in May 2012. Pursuant to Alabama SB 459, starting in 2013 payments of local taxes can be done through an electronic single point of filing program as well.

With the increased interest by states in collecting from out-of-state retailers and the potential involvement of the federal government, both bills call into question whether such taxpayer accommodations are the beginning of states' efforts to meet the minimal simplification requirements in two of the three proposed federal bills that would allow states to require out-of-state retailers to collect and remit sales taxes. Both Arizona and Alabama are not members of the Streamlined Sales Tax Agreement and would need to meet these simplification requirements in order to benefit from such federal bills if enacted.

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SOLICITATION

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