

City of Mesa

Transaction Privilege Tax Update

City Council

May 4, 2015

Business Services Department



What is Transaction Privilege Tax?

- In Arizona, TPT is a tax is on the privilege of doing business
- Goods, Some Services including Rentals, Construction
- Vendors usually pass TPT on to the consumer
- \$140,049,323 - Mesa Local TPT FY13-14

Tax Simplification Legislation

- HB 2466 – Signed into law May 11, 2012
 - Online Portal
- HB 2111 – Signed into law June 25, 2013
 - Centralize TPT Administration with ADOR
- HB 2389 – Signed into law April 30, 2014
 - Clean up and clarification
- SB 1446 – Signed into law February 24, 2015
 - Clarified Contractor Tax Liability and Licensing

Centralized TPT Administration with ADOR

- Tax Audit – Went Live 1/1/2015
 - Mesa Now Audits Under ADOR Processes
 - Multi-Jurisdictional Businesses
 - Multi-Jurisdictional Audit Required
 - Assigned through ADOR - ADOR or City Tax Auditor
 - Local Businesses
 - ADOR Notification – City Tax Auditor
 - Assessments Issued Through ADOR
 - Disputes Handled Through ADOR

Centralized TPT Administration with ADOR

- Centralized Licensing – Go-Live 11/2015
 - Still Have Local Licenses
 - Administered through ADOR
 - Renewals for 2016 Start in November
 - New 2016 Licenses through ADOR

Centralized TPT Administration with ADOR

- Centralized Tax Return Processing – 2/1/2016
 - Transactions on or after 1/1/2016
 - Tax Returns and Payments Remitted to and Processed by ADOR
 - Payments Transmitted to us Weekly

Centralized TPT Administration with ADOR

- Concerns
 - Full Program Was to Go-Live 1/1/2015
 - ADOR Computer Systems Were Not Ready
 - Licensing and Return Processing Delayed by Governor's Office to 1/1/2016
 - Updates to ADOR Systems Are Not Complete
 - Project is Currently Coded "Red" as Serious Risk of Not Being Complete on Time
 - ADOR Working to Get Project Back to Green and Deliver on Time
 - There is a Considerable Risk That the Go-Live Will Be Delayed Again

FY2016 Fiscal Impact from the State

- Charges Assessed to the City of Mesa in the FY2016 State Budget
 - \$333,671 – Modifications to the State Tax System for TPT (One-Time)
 - \$953,582 – State Administration (Ongoing)
 - Urban Revenue Sharing
 - HURF
 - City or County Special Tax District
 - State Shared TPT
 - Local TPT

Department Reengineering

- Tax Audit Unit
 - Rebuild Audit Program Under ADOR Processes
 - Local Audits
 - Multi-Jurisdictional Audits
 - Rebuild our return rate
 - Build a Business Analysis/Intelligence Program
 - Transition Away from Current Tax System
 - Prevent Tax Leakage During Transition
 - Enhance Analysis of Mesa Tax Data
 - Find Non-Filing Businesses – Enhanced Revenue
 - Eliminate 3 Vacant Auditor Positions

Department Reengineering

- Tax Collections Unit
 - ADOR will Collect Tax Debts after 1/1/16
 - Transitioning to Citywide Collections
 - Existing TPT Debt
 - Taking on PD False Alarms, Fire, Housing, Property Damage, Human Resources (Benefits and Tuition Reimbursement), Code Compliance, Falcon Field
 - 3.4 Times Revenue Returned versus Expenses
 - Retitling the Unit to Collections

Department Reengineering

- Licensing Office
 - ADOR will Take Over 2016 TPT Licensing and Return Processing
 - Still Handling Specialty Licensing
 - Business Registry
 - Alarms Permitting
 - Fire Safety Occupational Permit Application
 - Enhanced License Enforcement
 - Eliminate 1 Tax & Licensing Specialist Position

Department Reengineering

- Payment Processing
 - ADOR will Take Over TPT Returns 2/1/16
 - No TPT Return Processing
 - Eliminate 2 Payment Processing Specialist Positions

Department Reengineering

- Mail Services
 - ADOR will Take Over TPT Returns 2/1/16
 - No Monthly TPT Return Forms Mailed
 - Other Reduced Mailing Initiatives
 - Eliminate .5 Vacant Mail Services Worker Position

Department Reengineering

- Non-TPT Changes
 - Customer Contact Center
 - Eliminate .5 Vacant Customer Service Specialist Position
 - PD False Alarms Unit
 - Moved from PD Communications to Business Services Billing Operations
 - Revise our Organizational Structure

FY16 Department Reduction Summary

Reductions

3 Tax Auditor Positions (Vacant Positions)	\$248,184
1 Tax License Specialist Position (Move Staff)*	\$59,465
2 Payment Processing Specialist Positions (Move Staff)*	\$127,415
1 Mail Services Worker Position (Vacant)	\$51,588
1 Customer Service Specialist Position-PT (Vacant)	\$31,584
Supplies & Print Costs for Tax Licenses & Returns*	\$14,400
Ongoing Savings	<u>\$532,636</u>

FY2016 Addition

Funding to Continue TPT Processing to ADOR Go-Live	\$109,000
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* If ADOR Tax administration is delayed, reductions will also need to be delayed.

Questions?

