



City Council Report

Date: June 15, 2015
To: City Council
Through: Alex Deshuk, Manager of Technology and Innovation
From: Edward Quedens, MPA, C.P.M., CPPO, Business Services Director
Mickey Tait, Tax Administrator
Subject: Replacement Intergovernmental Agreement with the Arizona
Department of Revenue for the Administration of Local Transaction
Privilege Tax (Citywide)

Recommendation

Council is requested to approve a replacement Intergovernmental Agreement (IGA) between the City and the Arizona Department of Revenue (ADOR) regarding the uniform administration, licensing, collection, and auditing of Transaction Privilege Tax, use tax, severance tax, jet fuel excise and use tax and rental occupancy taxes (collectively referred to as TPT herein) imposed by the State or cities or towns.

Purpose and Recommendation

Local TPT administration is governed by ARS §42-6001. This statute was recently modified for the purpose of tax simplification with the passage of House Bill 2111 in 2013 and House Bill 2389 in 2014. This statute now requires ADOR to administer the TPT imposed by all cities and towns and to enter into a new IGA with each city and town to reflect these changes and clearly define the working relationship between ADOR and the cities and towns.

This IGA was negotiated with ADOR by representatives from the self-collecting cities and towns, including Mesa, with assistance from the League of Arizona Cities and Towns.

State administration for the current self-collecting cities is predicated on ADOR having the capability to provide an electronic means for collecting and distributing detailed taxpayer information including specific gross receipts and deductions by classification and by business location. This IGA intends to cover all aspects of administration after ADOR takes over for all cities and towns, but it also includes language allowing self-collecting cities to continue their own tax and license programs until such time that ADOR is able to perform the administrative functions

documented in statute.

The IGA covers all aspects of local tax administration including confidentiality and the use of taxpayer data for public reporting, sharing of data between the cities and towns and ADOR, license and tax return data fields that must be provided by ADOR, data and reports ADOR will provide to the cities and towns, how agencies will conduct audits, guidance for handling voluntary disclosure by taxpayers, closing agreements in lieu of litigation, sets up the responsibilities and authorities of both parties in terms of code or statute interpretations, legal support for protests, and a new "State and Local Uniformity Group" to iron out any problems or conflicts between the cities and the State.

The terms of this IGA run on an annual basis from July 1, 2015 through June 30, 2016 and it renews automatically each year. The IGA requires an annual review of the terms and conditions by representatives of ADOR and the municipal taxing jurisdictions.

Fiscal Impact

None

Alternatives

If the Council does not approve the IGA, Mesa will not have any of the rights provided in the IGA, including the right to audit taxpayers and participate in any audit resolution processes. All TPT administration would default to ADOR.