

State of Arizona  
Senate  
Fifty-second Legislature  
Second Regular Session  
2016

**CHAPTER 208**  
**SENATE BILL 1350**

AN ACT

AMENDING TITLE 9, CHAPTER 4, ARTICLE 8, ARIZONA REVISED STATUTES, BY ADDING SECTION 9-500.38; AMENDING TITLE 11, CHAPTER 2, ARTICLE 4, ARIZONA REVISED STATUTES, BY ADDING SECTION 11-269.15; AMENDING TITLE 15, CHAPTER 13, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 15-1650.01; AMENDING SECTIONS 42-2003, 42-5005, 42-5009, 42-5010, 42-5014 AND 42-5070, ARIZONA REVISED STATUTES; AMENDING TITLE 42, CHAPTER 5, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 42-5076; AMENDING TITLE 42, CHAPTER 6, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 42-6009 AND 42-6013; AMENDING SECTIONS 42-12003 AND 42-12004, ARIZONA REVISED STATUTES; RELATING TO ONLINE LODGING.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Title 9, chapter 4, article 8, Arizona Revised Statutes, is  
3 amended by adding section 9-500.38, to read:

4 9-500.38. Limitations on regulation of vacation rentals and  
5 short-term rentals; state preemption; definitions

6 A. A CITY OR TOWN MAY NOT PROHIBIT VACATION RENTALS OR SHORT-TERM  
7 RENTALS.

8 B. A CITY OR TOWN MAY NOT RESTRICT THE USE OF OR REGULATE VACATION  
9 RENTALS OR SHORT-TERM RENTALS BASED ON THEIR CLASSIFICATION, USE OR  
10 OCCUPANCY. A CITY OR TOWN MAY REGULATE VACATION RENTALS OR SHORT-TERM  
11 RENTALS FOR THE FOLLOWING PURPOSES:

12 1. PROTECTION OF THE PUBLIC'S HEALTH AND SAFETY, INCLUDING RULES AND  
13 REGULATIONS RELATED TO FIRE AND BUILDING CODES, HEALTH AND SANITATION,  
14 TRANSPORTATION OR TRAFFIC CONTROL, SOLID OR HAZARDOUS WASTE AND POLLUTION  
15 CONTROL, AND DESIGNATION OF AN EMERGENCY POINT OF CONTACT, IF THE CITY OR  
16 TOWN DEMONSTRATES THAT THE RULE OR REGULATION IS FOR THE PRIMARY PURPOSE OF  
17 PROTECTING THE PUBLIC'S HEALTH AND SAFETY.

18 2. ADOPTING AND ENFORCING RESIDENTIAL USE AND ZONING ORDINANCES,  
19 INCLUDING ORDINANCES RELATED TO NOISE, PROTECTION OF WELFARE, PROPERTY  
20 MAINTENANCE AND OTHER NUISANCE ISSUES, IF THE ORDINANCE IS APPLIED IN THE  
21 SAME MANNER AS OTHER PROPERTY CLASSIFIED UNDER SECTIONS 42-12003 AND  
22 42-12004.

23 3. LIMITING OR PROHIBITING THE USE OF A VACATION RENTAL OR SHORT-TERM  
24 RENTAL FOR THE PURPOSES OF HOUSING SEX OFFENDERS, OPERATING OR MAINTAINING A  
25 STRUCTURED SOBER LIVING HOME, SELLING ILLEGAL DRUGS, LIQUOR CONTROL OR  
26 PORNOGRAPHY, OBSCENITY, NUDE OR TOPLESS DANCING AND OTHER ADULT-ORIENTED  
27 BUSINESSES.

28 C. THIS SECTION DOES NOT EXEMPT AN OWNER OF A RESIDENTIAL RENTAL  
29 PROPERTY, AS DEFINED IN SECTION 33-1901, FROM MAINTAINING WITH THE ASSESSOR  
30 OF THE COUNTY IN WHICH THE PROPERTY IS LOCATED INFORMATION REQUIRED UNDER  
31 TITLE 33, CHAPTER 17, ARTICLE 1.

32 D. FOR THE PURPOSES OF THIS SECTION:

33 1. "TRANSIENT" HAS THE SAME MEANING PRESCRIBED IN SECTION 42-5070.

34 2. "VACATION RENTAL" OR "SHORT-TERM RENTAL" MEANS ANY INDIVIDUALLY OR  
35 COLLECTIVELY OWNED SINGLE-FAMILY OR ONE-TO-FOUR-FAMILY HOUSE OR DWELLING UNIT  
36 OR ANY UNIT OR GROUP OF UNITS IN A CONDOMINIUM, COOPERATIVE OR TIMESHARE,  
37 THAT IS ALSO A TRANSIENT PUBLIC LODGING ESTABLISHMENT OR OWNER-OCCUPIED  
38 RESIDENTIAL HOME OFFERED FOR TRANSIENT USE IF THE ACCOMMODATIONS ARE NOT  
39 CLASSIFIED FOR PROPERTY TAXATION UNDER SECTION 42-12001. VACATION RENTAL AND  
40 SHORT-TERM RENTAL DO NOT INCLUDE A UNIT THAT IS USED FOR ANY NONRESIDENTIAL  
41 USE, INCLUDING RETAIL, RESTAURANT, BANQUET SPACE, EVENT CENTER OR ANOTHER  
42 SIMILAR USE.

1           Sec. 2. Title 11, chapter 2, article 4, Arizona Revised Statutes, is  
2 amended by adding section 11-269.15, to read:

3           11-269.15. Limitations on regulation of vacation rentals and  
4           short-term rentals; state preemption; definitions

5           A. A COUNTY MAY NOT PROHIBIT VACATION RENTALS OR SHORT-TERM RENTALS.

6           B. A COUNTY MAY NOT RESTRICT THE USE OF OR REGULATE VACATION RENTALS  
7 OR SHORT-TERM RENTALS BASED ON THEIR CLASSIFICATION, USE OR OCCUPANCY. A  
8 COUNTY MAY REGULATE VACATION RENTALS OR SHORT-TERM RENTALS FOR THE FOLLOWING  
9 PURPOSES:

10           1. PROTECTION OF THE PUBLIC'S HEALTH AND SAFETY, INCLUDING RULES AND  
11 REGULATIONS RELATED TO FIRE AND BUILDING CODES, HEALTH AND SANITATION,  
12 TRANSPORTATION OR TRAFFIC CONTROL, SOLID OR HAZARDOUS WASTE AND POLLUTION  
13 CONTROL, AND DESIGNATION OF AN EMERGENCY POINT OF CONTACT, IF THE COUNTY  
14 DEMONSTRATES THAT THE RULE OR REGULATION IS FOR THE PRIMARY PURPOSE OF  
15 PROTECTING THE PUBLIC'S HEALTH AND SAFETY.

16           2. ADOPTING AND ENFORCING RESIDENTIAL USE AND ZONING ORDINANCES,  
17 INCLUDING ORDINANCES RELATED TO NOISE, PROTECTION OF WELFARE, PROPERTY  
18 MAINTENANCE AND OTHER NUISANCE ISSUES, IF THE ORDINANCE IS APPLIED IN THE  
19 SAME MANNER AS OTHER PROPERTY CLASSIFIED UNDER SECTIONS 42-12003 AND  
20 42-12004.

21           3. LIMITING OR PROHIBITING THE USE OF A VACATION RENTAL OR SHORT-TERM  
22 RENTAL FOR THE PURPOSES OF HOUSING SEX OFFENDERS, OPERATING OR MAINTAINING A  
23 STRUCTURED SOBER LIVING HOME, SELLING ILLEGAL DRUGS, LIQUOR CONTROL OR  
24 PORNOGRAPHY, OBSCENITY, NUDE OR TOPLESS DANCING AND OTHER ADULT-ORIENTED  
25 BUSINESSES.

26           C. THIS SECTION DOES NOT EXEMPT AN OWNER OF A RESIDENTIAL RENTAL  
27 PROPERTY, AS DEFINED IN SECTION 33-1901, FROM MAINTAINING WITH THE ASSESSOR  
28 OF THE COUNTY IN WHICH THE PROPERTY IS LOCATED INFORMATION REQUIRED UNDER  
29 TITLE 33, CHAPTER 17, ARTICLE 1.

30           D. FOR THE PURPOSES OF THIS SECTION:

31           1. "TRANSIENT" HAS THE SAME MEANING PRESCRIBED IN SECTION 42-5070.

32           2. "VACATION RENTAL" OR "SHORT-TERM RENTAL" MEANS ANY INDIVIDUALLY OR  
33 COLLECTIVELY OWNED SINGLE-FAMILY OR ONE-TO-FOUR-FAMILY HOUSE OR DWELLING UNIT  
34 OR ANY UNIT OR GROUP OF UNITS IN A CONDOMINIUM, COOPERATIVE OR TIMESHARE,  
35 THAT IS ALSO A TRANSIENT PUBLIC LODGING ESTABLISHMENT OR OWNER-OCCUPIED  
36 RESIDENTIAL HOME OFFERED FOR TRANSIENT USE IF THE ACCOMMODATIONS ARE NOT  
37 CLASSIFIED FOR PROPERTY TAXATION UNDER SECTION 42-12001. VACATION RENTAL AND  
38 SHORT-TERM RENTAL DO NOT INCLUDE A UNIT THAT IS USED FOR ANY NONRESIDENTIAL  
39 USE, INCLUDING RETAIL, RESTAURANT, BANQUET SPACE, EVENT CENTER OR ANOTHER  
40 SIMILAR USE.

41           Sec. 3. Title 15, chapter 13, article 2, Arizona Revised Statutes, is  
42 amended by adding section 15-1650.01, to read:

43           15-1650.01. Hospitality studies scholarship fund

44           A. THE HOSPITALITY STUDIES SCHOLARSHIP FUND IS ESTABLISHED CONSISTING  
45 OF REVENUES AVAILABLE TO THE FUND FROM ANY LAWFUL SOURCE. THE ARIZONA BOARD

1 OF REGENTS SHALL ADMINISTER THE FUND AND MAY PARTNER WITH ANY STATEWIDE  
2 LODGING AND TOURISM ASSOCIATION THAT PROVIDES MATCHING MONIES IN  
3 ADMINISTERING THE FUND. MONIES IN THE FUND ARE SUBJECT TO LEGISLATIVE  
4 APPROPRIATION FOR THE PURPOSES OF THIS SECTION AND ARE EXEMPT FROM THE  
5 PROVISIONS OF SECTION 35-190 RELATING TO LAPSING OF APPROPRIATIONS.

6 B. THE BOARD SHALL USE THE MONIES IN THE FUND TO PROVIDE SCHOLARSHIPS  
7 AND OTHER FINANCIAL ASSISTANCE TO STUDENTS ENTERING INTO OR ENROLLED IN A  
8 HOSPITALITY STUDIES PROGRAM AT ANY UNIVERSITY UNDER THE JURISDICTION OF THE  
9 BOARD. THE FINANCIAL ASSISTANCE SHALL BE USED TO DEFRAY EDUCATIONAL  
10 EXPENSES, INCLUDING ROOM AND BOARD. IF A RECIPIENT WITHDRAWS FROM SCHOOL OR  
11 FROM THE HOSPITALITY STUDIES PROGRAM BEFORE RECEIVING A DEGREE, THE RECIPIENT  
12 MUST REPAY ALL SCHOLARSHIP MONIES PREVIOUSLY AWARDED TO THE RECIPIENT. IF  
13 THE RECIPIENT IS DISMISSED FROM THE UNIVERSITY, THE BOARD SHALL NEGOTIATE AN  
14 APPROPRIATE REPAYMENT SCHEDULE PLUS EIGHT PERCENT SIMPLE INTEREST.

15 C. FOR THE PURPOSES OF THIS SECTION, "HOSPITALITY STUDIES PROGRAM"  
16 MEANS ANY UNDERGRADUATE OR GRADUATE ACADEMIC STUDIES PROGRAM RELATING TO  
17 OPERATION OR MANAGEMENT OF HOTELS, MOTELS OR OTHER FACILITIES FOR TRANSIENT  
18 LODGING AS DESCRIBED IN SECTION 42-5070, SUBSECTION A OR RESTAURANTS AS  
19 DESCRIBED IN SECTION 42-5074.

20 Sec. 4. Section 42-2003, Arizona Revised Statutes, is amended to read:  
21 42-2003. Authorized disclosure of confidential information

22 A. Confidential information relating to:

23 1. A taxpayer may be disclosed to the taxpayer, its successor in  
24 interest or a designee of the taxpayer who is authorized in writing by the  
25 taxpayer. A principal corporate officer of a parent corporation may execute  
26 a written authorization for a controlled subsidiary.

27 2. A corporate taxpayer may be disclosed to any principal officer, any  
28 person designated by a principal officer or any person designated in a  
29 resolution by the corporate board of directors or other similar governing  
30 body.

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

34 4. An estate may be disclosed to the personal representative of the  
35 estate and to any heir, next of kin or beneficiary under the will of the  
36 decedent if the department finds that the heir, next of kin or beneficiary  
37 has a material interest ~~which~~ THAT will be affected by the confidential  
38 information.

39 5. A trust may be disclosed to the trustee or trustees, jointly or  
40 separately, and to the grantor or any beneficiary of the trust if the  
41 department finds that the grantor or beneficiary has a material interest that  
42 will be affected by the confidential information.

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

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

3           B. Confidential information may be disclosed to:

4           1. Any employee of the department whose official duties involve tax  
5 administration.

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

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

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

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

27           (a) The United States internal revenue service, alcohol and tobacco  
28 tax and trade bureau of the United States treasury, United States bureau of  
29 alcohol, tobacco, firearms and explosives of the United States department of  
30 justice, United States drug enforcement agency and federal bureau of  
31 investigation.

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

33           (c) An organization of states, federation of tax administrators or  
34 multistate tax commission that operates an information exchange for tax  
35 administration purposes.

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

39           (e) An agency, official or organization of an Indian tribal government  
40 with responsibilities comparable to the responsibilities of the agencies,  
41 officials or organizations identified in subdivision (a), (b) or (c) of this  
42 paragraph.

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

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

1 (a) The processing, storage, transmission, destruction and  
2 reproduction of the information.

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

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

6 8. The office of administrative hearings relating to taxes  
7 administered by the department pursuant to section 42-1101, but the  
8 department shall not disclose any confidential information:

9 (a) Regarding income tax or withholding tax.

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

12 9. The United States treasury inspector general for tax administration  
13 for the purpose of reporting a violation of internal revenue code section  
14 7213A (26 United States Code section 7213A), unauthorized inspection of  
15 returns or return information.

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

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

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

22 (a) Qualifying renewable energy operations for the tax incentives  
23 under sections 42-12006, 43-1083.01 and 43-1164.01.

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

26 (c) Fulfilling its annual reporting responsibility pursuant to section  
27 41-1511, subsections U and V and section 41-1512, subsections U and V.

28 (d) Certifying computer data centers for tax relief under section  
29 41-1519.

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

31 14. The state fire marshal for use in determining compliance with and  
32 enforcing title 41, chapter 16, article 3.1.

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

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

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

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

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

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

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

3 (d) Return information directly relates to a transactional  
4 relationship between a person who is a party to the proceeding and the  
5 taxpayer and directly affects the resolution of an issue in the proceeding.

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

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

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

18 F. A department employee, in connection with the official duties  
19 relating to any audit, collection activity or civil or criminal  
20 investigation, may disclose return information to the extent that disclosure  
21 is necessary to obtain information that is not otherwise reasonably  
22 available. These official duties include the correct determination of and  
23 liability for tax, the amount to be collected or the enforcement of other  
24 state tax revenue laws.

25 G. If an organization is exempt from this state's income tax as  
26 provided in section 43-1201 for any taxable year, the name and address of the  
27 organization and the application filed by the organization on which the  
28 department made its determination for exemption together with any papers  
29 submitted in support of the application and any letter or document issued by  
30 the department concerning the application are open to public inspection.

31 H. Confidential information relating to transaction privilege tax, use  
32 tax, severance tax, jet fuel excise and use tax and any other tax collected  
33 by the department on behalf of any jurisdiction may be disclosed to any  
34 county, city or town tax official if the information relates to a taxpayer  
35 who is or may be taxable by a county, city or town or who may be subject to  
36 audit by the department pursuant to section 42-6002. Any taxpayer  
37 information released by the department to the county, city or town:

38 1. May only be used for internal purposes, including audits.

39 2. May not be disclosed to the public in any manner that does not  
40 comply with confidentiality standards established by the department. The  
41 county, city or town shall agree in writing with the department that any  
42 release of confidential information that violates the confidentiality  
43 standards adopted by the department will result in the immediate suspension  
44 of any rights of the county, city or town to receive taxpayer information  
45 under this subsection.

1 I. The department may disclose statistical information gathered from  
2 confidential information if it does not disclose confidential information  
3 attributable to any one taxpayer. The department may disclose statistical  
4 information gathered from confidential information, even if it discloses  
5 confidential information attributable to a taxpayer, to:

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

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

11 J. The department may disclose the aggregate amounts of any tax  
12 credit, tax deduction or tax exemption enacted after January 1, 1994.  
13 Information subject to disclosure under this subsection shall not be  
14 disclosed if a taxpayer demonstrates to the department that such information  
15 would give an unfair advantage to competitors.

16 K. Except as provided in section 42-2002, subsection C, confidential  
17 information, described in section 42-2001, paragraph 1, subdivision (a), item  
18 (ii), may be disclosed to law enforcement agencies for law enforcement  
19 purposes.

20 L. The department may provide transaction privilege tax license  
21 information to property tax officials in a county for the purpose of  
22 identification and verification of the tax status of commercial property.

23 M. The department may provide transaction privilege tax, luxury tax,  
24 use tax, property tax and severance tax information to the ombudsman-citizens  
25 aide pursuant to title 41, chapter 8, article 5.

26 N. Except as provided in section 42-2002, subsection D, a court may  
27 order the department to disclose confidential information pertaining to a  
28 party to an action. An order shall be made only ~~upon~~ ON a showing of good  
29 cause and that the party seeking the information has made demand ~~upon~~ ON the  
30 taxpayer for the information.

31 O. This section does not prohibit the disclosure by the department of  
32 any information or documents submitted to the department by a bingo licensee.  
33 Before disclosing the information the department shall obtain the name and  
34 address of the person requesting the information.

35 P. If the department is required or permitted to disclose confidential  
36 information, it may charge the person or agency requesting the information  
37 for the reasonable cost of its services.

38 Q. Except as provided in section 42-2002, subsection D, the department  
39 of revenue shall release confidential information as requested by the  
40 department of economic security pursuant to section 42-1122 or 46-291.  
41 Information disclosed under this subsection is limited to the same type of  
42 information that the United States internal revenue service is authorized to  
43 disclose under section 6103(1)(6) of the internal revenue code.

44 R. Except as provided in section 42-2002, subsection D, the department  
45 of revenue shall release confidential information as requested by the courts  
46 and clerks of the court pursuant to section 42-1122.



1 S. To comply with the requirements of section 42-5031, the department  
2 may disclose to the state treasurer, to the county stadium district board of  
3 directors and to any city or town tax official that is part of the county  
4 stadium district confidential information attributable to a taxpayer's  
5 business activity conducted in the county stadium district.

6 T. The department shall release to the attorney general confidential  
7 information as requested by the attorney general for purposes of determining  
8 compliance with or enforcing any of the following:

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

11 2. Any law relating to reduced cigarette ignition propensity standards  
12 as provided under title 41, chapter 16, article 3.1.

13 3. Sections 44-7101 and 44-7111, the master settlement agreement  
14 referred to in those sections and all agreements regarding disputes under the  
15 master settlement agreement.

16 U. For proceedings before the department, the office of administrative  
17 hearings, the board of tax appeals or any state or federal court involving  
18 penalties that were assessed against a return preparer, an electronic return  
19 preparer or a payroll service company pursuant to section 42-1103.02,  
20 42-1125.01 or 43-419, confidential information may be disclosed only before  
21 the judge or administrative law judge adjudicating the proceeding, the  
22 parties to the proceeding and the parties' representatives in the proceeding  
23 prior to its introduction into evidence in the proceeding. The confidential  
24 information may be introduced as evidence in the proceeding only if the  
25 taxpayer's name, the names of any dependents listed on the return, all social  
26 security numbers, the taxpayer's address, the taxpayer's signature and any  
27 attachments containing any of the foregoing information are redacted and if  
28 either:

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

31 2. Such A return or THE return information relates or may relate to a  
32 transactional relationship between a person who is a party to the proceeding  
33 and the taxpayer ~~which~~ THAT directly affects the resolution of an issue in  
34 the proceeding.

35 3. The method of payment of the taxpayer's withholding tax liability  
36 or the method of filing the taxpayer's withholding tax return is an issue for  
37 the period.

38 V. The department and attorney general may share the information  
39 specified in subsection T of this section with any of the following:

40 1. Federal, state or local agencies for the purposes of enforcement of  
41 corresponding laws of other states.

42 2. A court, arbitrator, data clearinghouse or similar entity for the  
43 purpose of assessing compliance with or making calculations required by the  
44 master settlement agreement or agreements regarding disputes under the master  
45 settlement agreement, and with counsel for the parties or expert witnesses in  
46 any such proceeding, if the information otherwise remains confidential.

1 W. The department may provide the name and address of qualifying  
2 hospitals and qualifying health care organizations, as defined in section  
3 42-5001, to a business classified and reporting transaction privilege tax  
4 under the utilities classification.

5 X. The department may disclose to an official of any city, town or  
6 county in a current agreement or considering a prospective agreement with the  
7 department as described in section 42-5032.02, subsection F any information  
8 relating to amounts subject to distribution required by section 42-5032.02.  
9 Information disclosed by the department under this subsection:

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

11 2. May not be disclosed to the public in any manner that does not  
12 comply with confidentiality standards established by the department. The  
13 city, town or county must agree with the department in writing that any  
14 release of confidential information that violates the confidentiality  
15 standards will result in the immediate suspension of any rights of the city,  
16 town or county to receive information under this subsection.

17 Y. NOTWITHSTANDING ANY OTHER PROVISION OF THIS SECTION, THE DEPARTMENT  
18 MAY NOT DISCLOSE INFORMATION PROVIDED BY AN ONLINE LODGING MARKETPLACE, AS  
19 DEFINED IN SECTION 42-5076, WITHOUT THE WRITTEN CONSENT OF THE ONLINE LODGING  
20 MARKETPLACE, AND THE INFORMATION MAY BE DISCLOSED ONLY PURSUANT TO SUBSECTION  
21 A, PARAGRAPHS 1 THROUGH 6, SUBSECTION B, PARAGRAPHS 1, 2, 7 AND 8 AND  
22 SUBSECTIONS C AND D OF THIS SECTION. SUCH INFORMATION:

23 1. IS NOT SUBJECT TO DISCLOSURE PURSUANT TO TITLE 39, RELATING TO  
24 PUBLIC RECORDS.

25 2. MAY NOT BE DISCLOSED TO ANY AGENCY OF THIS STATE OR OF ANY COUNTY,  
26 CITY, TOWN OR OTHER POLITICAL SUBDIVISION OF THIS STATE.

27 Sec. 5. Section 42-5005, Arizona Revised Statutes, is amended to read:

28 42-5005. Transaction privilege tax and municipal privilege tax  
29 licenses; fees; renewal; revocation; violation;  
30 classification

31 A. Every person who receives gross proceeds of sales or gross income  
32 on which a transaction privilege tax is imposed by this article and who  
33 desires to engage or continue in business shall apply to the department for  
34 an annual transaction privilege tax license accompanied by a fee of twelve  
35 dollars. A person shall not engage or continue in business until the person  
36 has obtained a transaction privilege tax license.

37 B. A person desiring to engage or continue in business within a city  
38 or town that imposes a municipal privilege tax shall apply to the department  
39 of revenue for an annual municipal privilege tax license accompanied by a fee  
40 of up to fifty dollars, as established by ordinance of the city or town. The  
41 person shall submit the fee with each new license application. The person  
42 may not engage or continue in business until the person has obtained a  
43 municipal privilege tax license. The department must collect, hold, pay and  
44 manage the fees in trust for the city or town and may not use the monies for  
45 any other purposes.

1 C. A transaction privilege tax license is valid only for the calendar  
2 year in which it is issued, but it may be renewed for the following calendar  
3 year. There is no fee for the renewal of the transaction privilege tax  
4 license. The transaction privilege tax license must be renewed at the same  
5 time and in the manner as the municipal privilege tax license renewal.

6 D. A municipal privilege tax license is valid only for the calendar  
7 year in which it is issued, but it may be renewed for the following calendar  
8 year by the payment of a license renewal fee of up to fifty dollars. The  
9 renewal fee is due and payable on January 1 and is considered delinquent if  
10 not received on or before the last business day of January. The department  
11 must collect, hold, pay and manage the fees in trust for the city or town and  
12 may not use the monies for any other purposes.

13 E. A licensee that remains in business after the municipal privilege  
14 tax license has expired is subject to the payment of the license renewal fee  
15 and the civil penalty prescribed in section 42-1125, subsection R.

16 F. If the applicant is not in arrears in payment of any tax imposed by  
17 this article, the department shall issue a license authorizing the applicant  
18 to engage and continue in business on the condition that the applicant  
19 complies with this article. The license number shall be continuous.

20 G. The transaction privilege tax license and the municipal privilege  
21 tax license are not transferable on a complete change of ownership or change  
22 of location of the business. For the purposes of this subsection:

23 1. "Location" means the business address appearing in the application  
24 for the license and on the transaction privilege tax or municipal privilege  
25 tax license.

26 2. "Ownership" means any right, title or interest in the business.

27 3. "Transferable" means the ability to convey or change the right or  
28 privilege to engage or continue in business by virtue of the issuance of the  
29 transaction privilege tax or municipal privilege tax license.

30 H. When the ownership or location of a business on which a transaction  
31 privilege tax or municipal privilege tax is imposed has been changed within  
32 the meaning of subsection G of this section, the licensee shall surrender the  
33 license to the department. The license shall be reissued to the new owners  
34 or for the new location on application by the taxpayer and payment of the  
35 twelve-dollar fee for a transaction privilege tax license and a fee of up to  
36 fifty dollars per jurisdiction for a municipal privilege tax license. The  
37 department must collect, hold, pay and manage the fees in trust for the city  
38 or town and may not use the monies for any other purposes.

39 I. A person who is engaged in or conducting a business in two or more  
40 locations or under two or more business names shall procure a transaction  
41 privilege tax license for each location or business name regardless of  
42 whether all locations or business names are reported on a consolidated return  
43 under a single transaction privilege tax license number. This requirement  
44 shall not be construed as conflicting with section 42-5020.

45 J. A person who is engaged in or conducting a business in two or more  
46 locations or under two or more business names shall procure a municipal

1 privilege tax license for each location or business name regardless of  
2 whether all locations or business names are reported on a consolidated  
3 return.

4 K. A person who is engaged in or conducting business at two or more  
5 locations or under two or more business names and who files a consolidated  
6 return under a single transaction privilege tax license number as provided by  
7 section 42-5020 is required to pay only a single municipal privilege tax  
8 license renewal fee for each local jurisdiction pursuant to subsection D of  
9 this section. A person who is engaged in or conducting business at two or  
10 more locations or under two or more business names and who does not file a  
11 consolidated return under a single license number is required to pay a  
12 license renewal fee for each location or license in a local jurisdiction.

13 L. FOR THE PURPOSES OF THIS CHAPTER AND CHAPTER 6 OF THIS TITLE, AN  
14 ONLINE LODGING MARKETPLACE, AS DEFINED IN SECTION 42-5076, MAY REGISTER WITH  
15 THE DEPARTMENT FOR A LICENSE FOR THE PAYMENT OF TAXES LEVIED BY THIS STATE  
16 AND ONE OR MORE COUNTIES, CITIES, TOWNS OR SPECIAL TAXING DISTRICTS, AT THE  
17 ELECTION OF THE ONLINE LODGING MARKETPLACE, FOR TAXES DUE FROM AN ONLINE  
18 LODGING OPERATOR ON ANY ONLINE LODGING TRANSACTION FACILITATED BY THE ONLINE  
19 LODGING MARKETPLACE, SUBJECT TO SECTIONS 42-5076 AND 42-6009.

20 M. FOR THE PURPOSES OF THIS CHAPTER AND CHAPTER 6 OF THIS TITLE, A  
21 PERSON WHO IS LICENSED PURSUANT TO TITLE 32, CHAPTER 20 AND WHO FILES AN  
22 ELECTRONIC CONSOLIDATED TAX RETURN FOR INDIVIDUAL REAL PROPERTIES UNDER  
23 MANAGEMENT ON BEHALF OF THE PROPERTY OWNERS MAY BE LICENSED WITH THE  
24 DEPARTMENT FOR THE PAYMENT OF TAXES LEVIED BY THIS STATE AND BY ANY COUNTY,  
25 CITY OR TOWN WITH RESPECT TO THOSE PROPERTIES.

26 ~~L.~~ N. If a person violates this article or any rule adopted under  
27 this article, the department upon hearing may revoke any transaction  
28 privilege tax or municipal privilege tax license issued to the person. The  
29 department shall provide ten days' written notice of the hearing, stating the  
30 time and place and requiring the person to appear and show cause why the  
31 license or licenses should not be revoked. The department shall provide  
32 written notice to the person of the revocation of the license. The notices  
33 may be served personally or by mail pursuant to section 42-5037. After  
34 revocation, the department shall not issue a new license to the person unless  
35 the person presents evidence satisfactory to the department that the person  
36 will comply with this article and with the rules adopted under this article.  
37 The department may prescribe the terms under which a revoked license may be  
38 reissued.

39 ~~M.~~ O. A person who violates any provision of this section is guilty  
40 of a class 3 misdemeanor.

41 Sec. 6. Section 42-5009, Arizona Revised Statutes, is amended to read:

42 42-5009. Certificates establishing deductions; liability for  
43 making false certificate

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

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

4           2. Obtaining a certificate executed by the purchaser indicating the  
5 name and address of the purchaser, the precise nature of the business of the  
6 purchaser, the purpose for which the purchase was made, the necessary facts  
7 to establish the appropriate deduction and the tax license number of the  
8 purchaser to the extent the deduction depends on the purchaser conducting  
9 business classified under article 2 of this chapter and a certification that  
10 the person executing the certificate is authorized to do so on behalf of the  
11 purchaser. The certificate may be disregarded if the seller has reason to  
12 believe that the information contained in the certificate is not accurate or  
13 complete.

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

17           C. The department may prescribe a form for the certificate described  
18 in subsection A of this section. Under such rules as it may prescribe, the  
19 department may also describe transactions with respect to which a person is  
20 not entitled to rely solely on the information contained in the certificate  
21 provided for in subsection A of this section but must instead obtain such  
22 additional information as required by the rules in order to be entitled to  
23 the deduction.

24           D. If a seller is entitled to a deduction by complying with subsection  
25 A of this section, the department may require the purchaser that caused the  
26 execution of the certificate to establish the accuracy and completeness of  
27 the information required to be contained in the certificate that would  
28 entitle the seller to the deduction. If the purchaser cannot establish the  
29 accuracy and completeness of the information, the purchaser is liable in an  
30 amount equal to any tax, penalty and interest that the seller would have been  
31 required to pay under this article if the seller had not complied with  
32 subsection A of this section. Payment of the amount under this subsection  
33 exempts the purchaser from liability for any tax imposed under article 4 of  
34 this 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           E. If a seller is entitled to a deduction by complying with subsection  
38 B of this section, the department may require the purchaser to establish the  
39 accuracy and completeness of the information provided to the seller that  
40 entitled the seller to the deduction. If the purchaser cannot establish the  
41 accuracy and completeness of the information, the purchaser is liable in an  
42 amount equal to any tax, penalty and interest that the seller would have been  
43 required to pay under this article if the seller had not complied with  
44 subsection B of this section. Payment of the amount under this subsection  
45 exempts the purchaser from liability for any tax imposed under article 4 of  
46 this chapter. The amount shall be treated as tax revenues collected from the

1 seller in order to designate the distribution base for purposes of section  
2 42-5029.

3 F. The department may prescribe a form for a certificate used to  
4 establish entitlement to the deductions described in section 42-5061,  
5 subsection A, paragraph 46 and section 42-5063, subsection B, paragraph 3.  
6 Under rules the department may prescribe, the department may also require  
7 additional information for the seller to be entitled to the deduction. If a  
8 seller is entitled to the deductions described in section 42-5061, subsection  
9 A, paragraph 46 and section 42-5063, subsection B, paragraph 3, the  
10 department may require the purchaser who executed the certificate to  
11 establish the accuracy and completeness of the information contained in the  
12 certificate that would entitle the seller to the deduction. If the purchaser  
13 cannot establish the accuracy and completeness of the information, the  
14 purchaser is liable in an amount equal to any tax, penalty and interest that  
15 the seller would have been required to pay under this article. Payment of  
16 the amount under this subsection exempts the purchaser from liability for any  
17 tax imposed under article 4 of this chapter. The amount shall be treated as  
18 tax revenues collected from the seller in order to designate the distribution  
19 base for purposes of section 42-5029.

20 G. If a seller claims a deduction under section 42-5061, subsection A,  
21 paragraph 25 and establishes entitlement to the deduction with an exemption  
22 letter that the purchaser received from the department and the exemption  
23 letter was based on a contingent event, the department may require the  
24 purchaser that received the exemption letter to establish the satisfaction of  
25 the contingent event within a reasonable time. If the purchaser cannot  
26 establish the satisfaction of the event, the purchaser is liable in an amount  
27 equal to any tax, penalty and interest that the seller would have been  
28 required to pay under this article if the seller had not been furnished the  
29 exemption letter. Payment of the amount under this subsection exempts the  
30 purchaser from liability for any tax imposed under article 4 of this chapter.  
31 The amount shall be treated as tax revenues collected from the seller in  
32 order to designate the distribution base for purposes of section 42-5029.  
33 For the purposes of this subsection, "reasonable time" means a time  
34 limitation that the department determines and that does not exceed the time  
35 limitations pursuant to section 42-1104.

36 H. The department shall prescribe forms for certificates used to  
37 establish the satisfaction of the criteria necessary to qualify the sale of a  
38 motor vehicle for the deductions described in section 42-5061, subsection A,  
39 paragraph 14, paragraph 28, subdivision (a) and paragraph 44 and subsection  
40 U. Except as provided in subsection J of this section, to establish  
41 entitlement to these deductions, a motor vehicle dealer shall retain:

42 1. A valid certificate as prescribed by this subsection completed by  
43 the purchaser and obtained prior to the issuance of the nonresident  
44 registration permit authorized by section 28-2154.

45 2. A copy of the nonresident registration permit authorized by section  
46 28-2154.

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

6           4. For the purposes of the deduction provided by section 42-5061,  
7 subsection A, paragraph 14, a certificate documenting the delivery of the  
8 motor vehicle to an out-of-state location.

9           I. Notwithstanding subsection A, paragraph 2 of this section, if a  
10 motor vehicle dealer has established entitlement to a deduction by complying  
11 with subsection H of this section, the department may require the purchaser  
12 who executed the certificate to establish the accuracy and completeness of  
13 the information contained in the certificate that entitled the motor vehicle  
14 dealer to the deduction. If the purchaser cannot establish the accuracy and  
15 completeness of the information, the purchaser is liable in an amount equal  
16 to any tax, penalty and interest that the motor vehicle dealer would have  
17 been required to pay under this article and under articles IV and V of the  
18 model city tax code as defined in section 42-6051. Payment of the amount  
19 under this subsection exempts the purchaser from liability for any tax  
20 imposed under article 4 of this chapter and any tax imposed under article VI  
21 of the model city tax code as defined in section 42-6051. The amount shall  
22 be treated as tax revenues collected from the motor vehicle dealer in order  
23 to designate the distribution base for purposes of section 42-5029.

24           J. To establish entitlement to the deduction described in section  
25 42-5061, subsection A, paragraph 44, a public consignment auction dealer as  
26 defined in section 28-4301 shall submit the valid certificate prescribed by  
27 subsection H of this section to the department and retain a copy for its  
28 records.

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

32           L. The department shall prescribe a form for a certificate to be used  
33 by a person that is not subject to tax under section 42-5075 when the person  
34 is engaged by a contractor that is subject to tax under section 42-5075 for a  
35 project that is taxable under section 42-5075. The certificate permits the  
36 person purchasing tangible personal property to be incorporated or fabricated  
37 by the person into any real property, structure, project, development or  
38 improvement to provide documentation to a retailer that the sale of tangible  
39 personal property qualifies for the deduction under section 42-5061,  
40 subsection A, paragraph 27, subdivision (b). A prime contractor shall obtain  
41 the certificate from the department and shall provide a copy to any such  
42 person working on the project. The prime contractor shall obtain a new  
43 certificate for each project to which this subsection applies. For the  
44 purposes of this subsection, the following apply:

45           1. The person that is not subject to tax under section 42-5075 may use  
46 the certificate issued pursuant to this subsection only with respect to

1 tangible personal property that will be incorporated into a project for which  
2 the gross receipts are subject to tax under section 42-5075.

3 2. The department shall issue the certificate to the prime contractor  
4 on receiving sufficient documentation to establish that the prime contractor  
5 meets the requirements of this subsection.

6 3. If any person uses the certificate provided under this subsection  
7 to purchase tangible personal property to be used in a project that is not  
8 subject to tax under section 42-5075, the person is liable in an amount equal  
9 to any tax, penalty and interest that the seller would have been required to  
10 pay under this article if the seller had not complied with subsection A of  
11 this section. Payment of the amount under this section exempts the person  
12 from liability for any tax imposed under article 4 of this chapter. The  
13 amount shall be sourced under section 42-5040, subsection A, paragraph 2.

14 M. Notwithstanding any other law, compliance with subsection L of this  
15 section by a person that is not subject to tax under section 42-5075 entitles  
16 the person to the exemption allowed by section 465, subsection (k) of the  
17 model city tax code when purchasing tangible personal property to be  
18 incorporated or fabricated by the person into any real property, structure,  
19 project, development or improvement.

20 N. NOTWITHSTANDING ANY OTHER LAW, AN ONLINE LODGING OPERATOR, AS  
21 DEFINED IN SECTION 42-5076, SHALL BE ENTITLED TO AN EXCLUSION FROM ANY  
22 APPLICABLE TAXES FOR ANY ONLINE LODGING TRANSACTION, AS DEFINED IN SECTION  
23 42-5076, FACILITATED BY AN ONLINE LODGING MARKETPLACE, AS DEFINED IN SECTION  
24 42-5076, FOR WHICH THE ONLINE LODGING OPERATOR HAS OBTAINED FROM THE ONLINE  
25 LODGING MARKETPLACE WRITTEN NOTICE THAT THE ONLINE LODGING MARKETPLACE IS  
26 REGISTERED WITH THE DEPARTMENT TO COLLECT APPLICABLE TAXES FOR ALL ONLINE  
27 LODGING TRANSACTIONS FACILITATED BY THE ONLINE LODGING MARKETPLACE, AND  
28 TRANSACTION HISTORY DOCUMENTING TAX COLLECTED BY THE ONLINE LODGING  
29 MARKETPLACE, PURSUANT TO SECTION 42-5005, SUBSECTION L.

30 Sec. 7. Section 42-5010, Arizona Revised Statutes, is amended to read:

31 42-5010. Rates: distribution base

32 A. The tax imposed by this article is levied and shall be collected at  
33 the following rates:

34 1. Five percent of the tax base as computed for the business of every  
35 person engaging or continuing in this state in the following business  
36 classifications described in article 2 of this chapter:

- 37 (a) Transporting classification.
- 38 (b) Utilities classification.
- 39 (c) Telecommunications classification.
- 40 (d) Pipeline classification.
- 41 (e) Private car line classification.
- 42 (f) Publication classification.
- 43 (g) Job printing classification.
- 44 (h) Prime contracting classification.
- 45 (i) Amusement classification.
- 46 (j) Restaurant classification.



1 (k) Personal property rental classification.

2 (l) Retail classification and amounts equal to retail transaction  
3 privilege tax due pursuant to section 42-5008.01.

4 2. Five and one-half percent of the tax base as computed for the  
5 business of every person engaging or continuing in this state in:

6 (a) The transient lodging classification described in section 42-5070.

7 (b) **THE ONLINE LODGING MARKETPLACE CLASSIFICATION DESCRIBED IN SECTION**  
8 **42-5076 WHO HAS ENTERED INTO AN AGREEMENT WITH THE DEPARTMENT TO REGISTER**  
9 **FOR, OR HAS OTHERWISE OBTAINED FROM THE DEPARTMENT, A LICENSE TO COLLECT TAX**  
10 **PURSUANT TO SECTION 42-5005, SUBSECTION L.**

11 3. Three and one-eighth percent of the tax base as computed for the  
12 business of every person engaging or continuing in this state in the mining  
13 classification described in section 42-5072.

14 4. Zero percent of the tax base as computed for the business of every  
15 person engaging or continuing in this state in the commercial lease  
16 classification described in section 42-5069.

17 B. Except as provided by subsection J of this section, twenty percent  
18 of the tax revenues collected at the rate prescribed by subsection A,  
19 paragraph 1 of this section from persons on account of engaging in business  
20 under the business classifications listed in subsection A, paragraph 1,  
21 subdivisions (a) through (h) of this section is designated as distribution  
22 base for purposes of section 42-5029.

23 C. Forty percent of the tax revenues collected at the rate prescribed  
24 by subsection A, paragraph 1 of this section from persons on account of  
25 engaging in business under the business classifications listed in subsection  
26 A, paragraph 1, subdivisions (i) through (l) of this section is designated as  
27 distribution base for purposes of section 42-5029.

28 D. Thirty-two percent of the tax revenues collected from persons on  
29 account of engaging in business under the business classification listed in  
30 subsection A, paragraph 3 of this section is designated as distribution base  
31 for purposes of section 42-5029.

32 E. Fifty-three and one-third percent of the tax revenues collected  
33 from persons on account of engaging in business under the business  
34 classification listed in subsection A, paragraph 4 of this section is  
35 designated as distribution base for purposes of section 42-5029.

36 F. Fifty percent of the tax revenues collected from persons on account  
37 of engaging in business under the business classification listed in  
38 subsection A, paragraph 2 of this section is designated as distribution base  
39 for purposes of section 42-5029.

40 G. In addition to the rates prescribed by subsection A of this  
41 section, if approved by the qualified electors voting at a statewide general  
42 election, an additional rate increment is imposed and shall be collected  
43 through June 30, 2021. The taxpayer shall pay taxes pursuant to this  
44 subsection at the same time and in the same manner as under subsection A of  
45 this section. The department shall separately account for the revenues  
46 collected with respect to the rates imposed pursuant to this subsection and

1 the state treasurer shall distribute all of those revenues in the manner  
2 prescribed by section 42-5029, subsection E. The rates imposed pursuant to  
3 this subsection shall not be considered local revenues for purposes of  
4 article IX, section 21, Constitution of Arizona. The additional tax rate  
5 increment is levied at the rate of six-tenths of one per cent of the tax base  
6 of every person engaging or continuing in this state in a business  
7 classification listed in subsection A, paragraph 1 of this section.

8 H. Any increase in the rate of tax that is imposed by this chapter and  
9 that is enacted by the legislature or by a vote of the people does not apply  
10 with respect to contracts entered into by prime contractors or pursuant to  
11 written bids made by prime contractors on or before the effective date of the  
12 legislation or the date of the election enacting the increase. To qualify  
13 for the exemption under this subsection, the prime contractor must maintain  
14 sufficient documentation, in a manner and form prescribed by the department,  
15 to verify the date of the contract or written bid.

16 I. For taxpayers taxable under this chapter other than prime  
17 contractors taxable pursuant to section 42-5075:

18 1. Any increase in the rate of tax that is levied by this article or  
19 article 2 of this chapter enacted by the legislature or by a vote of the  
20 people does not apply for a period of one hundred twenty days from the date  
21 of the tax rate increase to the gross proceeds of sales or gross income from  
22 the business of the taxpayer with respect to written contracts entered into  
23 before the effective date of the tax rate increase unless the taxpayer has  
24 entered into a contract that contains a provision that entitles the taxpayer  
25 to recover from the purchaser the amount of the additional tax levied.

26 2. The provisions of this subsection apply without regard to the  
27 accounting method used by the taxpayer to report the taxes imposed under  
28 article 2 of this chapter.

29 3. The provisions of this subsection shall not be considered in  
30 determining the rate of tax imposed under chapter 6, article 3 of this title.

31 J. Zero percent of the tax revenues that are collected at the rate  
32 prescribed by subsection A, paragraph 1 of this section from persons on  
33 account of engaging in business under the business classification listed in  
34 subsection A, paragraph 1, subdivision (h) of this section, and that are  
35 subject to any distribution required by section 42-5032.02, is designated as  
36 distribution base for the purposes of section 42-5029 until the total amount  
37 subject to distribution pursuant to section 42-5032.02 has reached the  
38 maximum amount prescribed by section 42-5032.02, subsection C. Thereafter,  
39 twenty percent of the remaining tax revenues is designated as distribution  
40 base for the purposes of section 42-5029 as provided by subsection B of this  
41 section.

42 Sec. 8. Section 42-5014, Arizona Revised Statutes, is amended to read:  
43 42-5014. Return and payment of tax; estimated tax; extensions;  
44 abatements

45 A. Except as provided in subsection B, C, ~~or~~ D, E OR F of this  
46 section, the taxes levied under this article:

1           1. Are due and payable monthly in the form required by section 42-5018  
2 for the amount of the tax, to the department, on or before the twentieth day  
3 of the month next succeeding the month in which the tax accrues.

4           2. Are delinquent as follows:

5           (a) For taxpayers that are required or elect to file and pay  
6 electronically in any month, if not received by the department on or before  
7 the last business day of the month.

8           (b) For all other taxpayers, if not received by the department on or  
9 before the business day preceding the last business day of the month.

10          B. The department, for any taxpayer whose estimated annual liability  
11 for taxes imposed or administered by this article or chapter 6 of this title  
12 is between two thousand dollars and eight thousand dollars, shall authorize  
13 such taxpayer to pay such taxes on a quarterly basis. The department, for  
14 any taxpayer whose estimated annual liability for taxes imposed by this  
15 article is less than two thousand dollars, shall authorize such taxpayer to  
16 pay such taxes on an annual basis. For the purposes of this subsection, the  
17 taxes due under this article:

18           1. For taxpayers that are authorized to pay on a quarterly basis, are  
19 due and payable monthly in the form required by section 42-5018 for the  
20 amount of the tax, to the department, on or before the twentieth day of the  
21 month next succeeding the quarter in which the tax accrues.

22           2. For taxpayers that are authorized to pay on an annual basis, are  
23 due and payable monthly in the form required by section 42-5018 for the  
24 amount of the tax, to the department, on or before the twentieth day of  
25 January next succeeding the year in which the tax accrues.

26           3. Are delinquent as follows:

27           (a) For taxpayers that are required or elect to file and pay  
28 electronically in any quarter, if not received by the department on or before  
29 the last business day of the month.

30           (b) For all other taxpayers that are required to file and pay  
31 quarterly, if not received by the department on or before the business day  
32 preceding the last business day of the month.

33           (c) For taxpayers that are required or elect to file and pay  
34 electronically on an annual basis, if not received by the department on or  
35 before the last business day of January.

36           (d) For all other taxpayers that are required to file and pay  
37 annually, if not received by the department on or before the business day  
38 preceding the last business day of January.

39          C. The department may require a taxpayer whose business is of a  
40 transient character to file the return and remit the taxes imposed by this  
41 article on a daily, a weekly or a transaction by transaction basis, and those  
42 returns and payments are due and payable on the date fixed by the department  
43 without a grace period otherwise allowed by this section. For the purposes  
44 of this subsection, "business of a transient character" means sales activity  
45 by a taxpayer not regularly engaged in selling within the state conducted  
46 from vehicles, portable stands, rented spaces, structures or booths, or

1 concessions at fairs, carnivals, circuses, festivals or similar activities  
2 for not more than thirty consecutive days.

3 D. If the business entity under which a taxpayer reports and pays  
4 income tax under title 43 has an annual total tax liability under this  
5 article, article 6 of this chapter and chapter 6, article 3 of this title of  
6 one million dollars or more, based on the actual tax liability in the  
7 preceding calendar year, regardless of the number of offices at which the  
8 taxes imposed by this article, article 6 of this chapter or chapter 6,  
9 article 3 of this title are collected, or if the taxpayer can reasonably  
10 anticipate such liability in the current year, the taxpayer shall report on a  
11 form prescribed by the department and pay an estimated tax payment each June.  
12 Any other taxpayer may voluntarily elect to pay the estimated tax payment  
13 pursuant to this subsection. The payment shall be made on or before June 20  
14 and is delinquent if not received by the department on or before the business  
15 day preceding the last business day of June for those taxpayers electing to  
16 file by mail, or delinquent if not received by the department on the business  
17 day preceding the last business day of June for those taxpayers electing to  
18 file in person. The estimated tax paid shall be credited against the  
19 taxpayer's tax liability under this article, article 6 of this chapter and  
20 chapter 6, article 3 of this title for the month of June for the current  
21 calendar year. The estimated tax payment shall equal either:

22 1. One-half of the actual tax liability under this article plus  
23 one-half of any tax liability under article 6 of this chapter and chapter 6,  
24 article 3 of this title for May of the current calendar year.

25 2. The actual tax liability under this article plus any tax liability  
26 under article 6 of this chapter and chapter 6, article 3 of this title for  
27 the first fifteen days of June of the current calendar year.

28 E. AN ONLINE LODGING MARKETPLACE, AS DEFINED IN SECTION 42-5076, THAT  
29 IS REGISTERED WITH THE DEPARTMENT PURSUANT TO SECTION 42-5005, SUBSECTION L:

30 1. SHALL REMIT TO THE DEPARTMENT THE APPLICABLE TAXES PAYABLE PURSUANT  
31 TO SECTION 42-5076 AND CHAPTER 6 OF THIS TITLE WITH RESPECT TO EACH ONLINE  
32 LODGING TRANSACTION, AS DEFINED IN SECTION 42-5076, FACILITATED BY THE ONLINE  
33 LODGING MARKETPLACE.

34 2. SHALL REPORT THE TAXES MONTHLY AND REMIT THE AGGREGATE TOTAL  
35 AMOUNTS FOR EACH OF THE RESPECTIVE TAXING JURISDICTIONS.

36 3. SHALL NOT BE REQUIRED TO LIST OR OTHERWISE IDENTIFY ANY INDIVIDUAL  
37 ONLINE LODGING OPERATOR, AS DEFINED IN SECTION 42-5076, ON ANY RETURN OR ANY  
38 ATTACHMENT TO A RETURN.

39 F. A PERSON WHO IS LICENSED PURSUANT TO TITLE 32, CHAPTER 20 AND WHO  
40 IS LICENSED WITH THE DEPARTMENT PURSUANT TO SECTION 42-5005, SUBSECTION M  
41 SHALL:

42 1. FILE A CONSOLIDATED RETURN MONTHLY WITH RESPECT TO ALL MANAGED  
43 PROPERTIES FOR WHICH THE LICENSEE FILES AN ELECTRONIC CONSOLIDATED TAX RETURN  
44 PURSUANT TO SECTION 42-6013.

45 2. REMIT TO THE DEPARTMENT THE AGGREGATE TOTAL AMOUNT OF THE  
46 APPLICABLE TAXES PAYABLE PURSUANT TO THIS CHAPTER AND CHAPTER 6 OF THIS TITLE

1 FOR ALL OF THE RESPECTIVE TAXING JURISDICTIONS WITH RESPECT TO THE MANAGED  
2 PROPERTIES.

3 ~~E.~~ G. The taxpayer shall prepare a return showing the amount of the  
4 tax for which the taxpayer is liable for the preceding month, and shall mail  
5 or deliver the return to the department in the same manner and time as  
6 prescribed for the payment of taxes in subsection A of this section. If the  
7 taxpayer fails to file the return in the manner and time as prescribed for  
8 the payment of taxes in subsection A of this section, the amount of the tax  
9 required to be shown on the return is subject to the penalty imposed pursuant  
10 to section 42-1125, subsection A, without any reduction for taxes paid on or  
11 before the due date of the return. The return shall be verified by the oath  
12 of the taxpayer or an authorized agent or as prescribed by the department  
13 pursuant to section 42-1105, subsection B.

14 ~~F.~~ H. Any person who is taxable under this article and who makes cash  
15 and credit sales shall report such cash and credit sales separately and on  
16 making application may obtain from the department an extension of time for  
17 payment of taxes due on the credit sales. The extension shall be granted by  
18 the department under such rules as the department prescribes. When the  
19 extension is granted, the taxpayer shall thereafter include in each monthly  
20 report all collections made on such credit sales during the month next  
21 preceding and shall pay the taxes due at the time of filing such report.

22 ~~G.~~ I. The returns required under this article shall be made on forms  
23 prescribed by the department and shall capture data with sufficient  
24 specificity to meet the needs of all taxing jurisdictions.

25 ~~H.~~ J. Any person who is engaged in or conducting business in two or  
26 more locations or under two or more business names shall file the return  
27 required under this article by electronic means.

28 ~~I.~~ K. The department, for good cause, may extend the time for making  
29 any return required by this article and may grant such reasonable additional  
30 time within which to make the return as it deems proper, but the time for  
31 filing the return shall not be extended beyond the first day of the third  
32 month next succeeding the regular due date of the return.

33 ~~J.~~ L. The department, with the approval of the attorney general, may  
34 abate small tax balances if the administration costs exceed the amount of tax  
35 due.

36 ~~K.~~ M. For the purposes of subsection D of this section, "taxpayer"  
37 means the business entity under which the business reports and pays state  
38 income taxes regardless of the number of offices at which the taxes imposed  
39 by this article, article 6 of this chapter or chapter 6, article 3 of this  
40 title are collected.

41 Sec. 9. Section 42-5070, Arizona Revised Statutes, is amended to read:

42 42-5070. Transient lodging classification; definition

43 A. The transient lodging classification is comprised of the business  
44 of operating, for occupancy by transients, a hotel or motel, including an  
45 inn, tourist home or house, dude ranch, resort, campground, studio or  
46 bachelor hotel, lodging house, rooming house, apartment house, dormitory,

1 public or private club, mobile home or house trailer at a fixed location or  
2 other similar structure, and also including a space, lot or slab that is  
3 occupied or intended or designed for occupancy by transients in a mobile home  
4 or house trailer furnished by them for such occupancy.

5 B. The transient lodging classification does not include:

6 1. Operating a convalescent home or facility, home for the aged,  
7 hospital, jail, military installation or fraternity or sorority house or  
8 operating any structure exclusively by an association, institution,  
9 governmental agency or corporation for religious, charitable or educational  
10 purposes, if no part of the net earnings of the association, corporation or  
11 other entity inures to the benefit of any private shareholder or individual.

12 2. A lease or rental of a mobile home or house trailer at a fixed  
13 location or any other similar structure, and also including a space, lot or  
14 slab that is occupied or intended or designed for occupancy by transients in  
15 a mobile home or house trailer furnished by them for such occupancy for  
16 thirty or more consecutive days.

17 3. Leasing or renting four or fewer rooms of an owner-occupied  
18 residential home, together with furnishing no more than a breakfast meal, to  
19 transient lodgers at no more than a fifty ~~per-cent~~ PERCENT average annual  
20 occupancy rate.

21 4. THE ACTIVITIES OF ANY ONLINE LODGING MARKETPLACE, AS DEFINED IN  
22 SECTION 42-5076.

23 C. The tax base for the transient lodging classification is the gross  
24 proceeds of sales or gross income derived from the business, except that the  
25 tax base does not include:

26 1. THE gross proceeds of sales or gross income derived from business  
27 activity that is properly included in another business classification under  
28 this article and that is taxable to the person engaged in that business  
29 classification, but the gross proceeds of sales or gross income to be  
30 deducted shall not exceed the consideration paid to the person conducting the  
31 activity.

32 2. THE GROSS PROCEEDS OR GROSS INCOME RECEIVED BY AN ONLINE LODGING  
33 OPERATOR, AS DEFINED IN SECTION 42-5076, FROM ANY ONLINE LODGING  
34 TRANSACTIONS, AS DEFINED IN SECTION 42-5076, FOR WHICH THE ONLINE LODGING  
35 OPERATOR HAS RECEIVED DOCUMENTATION FROM A REGISTERED ONLINE LODGING  
36 MARKETPLACE, AS DEFINED IN SECTION 42-5076, PURSUANT TO SECTION 42-5009,  
37 SUBSECTION N THAT THE ONLINE LODGING MARKETPLACE HAS REMITTED OR WILL REMIT  
38 THE APPLICABLE TAX TO THE DEPARTMENT PURSUANT TO SECTION 42-5014,  
39 SUBSECTION E.

40 D. For the purposes of this section, the tax base for the transient  
41 lodging classification does not include gross proceeds of sales or gross  
42 income derived from:

43 1. Transactions or activities that are not limited to transients and  
44 that would not be taxable if engaged in by a person not subject to tax under  
45 this article.

1           2. Transactions or activities that are not limited to transients and  
2 that would not be taxable if engaged in by a person subject to taxation under  
3 section 42-5062 or 42-5073 due to an exclusion, exemption or deduction.

4           3. Commissions paid to a person that is engaged in transient lodging  
5 business subject to taxation under this section by a person providing  
6 services or property to the customers of the person engaging in the transient  
7 lodging business.

8           E. The department shall separately account for revenues collected  
9 under the transient lodging classification for the purposes of section  
10 42-5029, subsection D, paragraph 4, subdivision (b).

11           F. For the purposes of this section, "transient" means any person who  
12 either at the person's own expense or at the expense of another obtains  
13 lodging space or the use of lodging space on a daily or weekly basis, or on  
14 any other basis for less than thirty consecutive days.

15           Sec. 10. Title 42, chapter 5, article 2, Arizona Revised Statutes, is  
16 amended by adding section 42-5076, to read:

17           42-5076. Online lodging marketplace classification; definitions

18           A. THE ONLINE LODGING MARKETPLACE CLASSIFICATION IS COMPRISED OF THE  
19 BUSINESS OF OPERATING AN ONLINE LODGING MARKETPLACE.

20           B. THE TAX BASE FOR THE ONLINE LODGING MARKETPLACE CLASSIFICATION IS  
21 THE GROSS PROCEEDS OF SALES OR GROSS INCOME DERIVED FROM THE BUSINESS  
22 MEASURED BY THE TOTAL AMOUNT CHARGED FOR AN ONLINE TRANSIENT LODGING  
23 TRANSACTION BY THE ONLINE LODGING OPERATOR.

24           C. THE ONLINE LODGING MARKETPLACE CLASSIFICATION DOES NOT INCLUDE ANY  
25 ONLINE LODGING MARKETPLACE THAT HAS NOT ENTERED INTO AN AGREEMENT WITH THE  
26 DEPARTMENT TO REGISTER FOR, OR HAS NOT OTHERWISE OBTAINED FROM THE  
27 DEPARTMENT, A LICENSE TO COLLECT TAX PURSUANT TO SECTION 42-5005,  
28 SUBSECTION L.

29           D. FOR THE PURPOSES OF THIS SECTION:

30           1. "ONLINE LODGING MARKETPLACE" MEANS A PERSON THAT PROVIDES A DIGITAL  
31 PLATFORM FOR COMPENSATION THROUGH WHICH AN UNAFFILIATED THIRD PARTY OFFERS TO  
32 RENT LODGING ACCOMMODATIONS TO AN OCCUPANT, INCLUDING A TRANSIENT, AS DEFINED  
33 IN SECTION 42-5070, AND THE ACCOMMODATIONS ARE NOT CLASSIFIED FOR PROPERTY  
34 TAX PURPOSES UNDER SECTION 42-12001. FOR THE PURPOSES OF THIS PARAGRAPH:

35           (a) "LODGING ACCOMMODATIONS" MEANS ANY SPACE OFFERED TO THE PUBLIC FOR  
36 LODGING, INCLUDING ANY HOTEL, MOTEL, INN, TOURIST HOME OR HOUSE, DUDE RANCH,  
37 RESORT, CAMPGROUND, STUDIO OR BACHELOR HOTEL, LODGING HOUSE, ROOMING HOUSE,  
38 RESIDENTIAL HOME, APARTMENT HOUSE, DORMITORY, PUBLIC OR PRIVATE CLUB, MOBILE  
39 HOME OR HOUSE TRAILER AT A FIXED LOCATION OR OTHER SIMILAR STRUCTURE OR  
40 SPACE.

41           (b) "UNAFFILIATED THIRD PARTY" MEANS A PERSON THAT IS NOT OWNED OR  
42 CONTROLLED, DIRECTLY OR INDIRECTLY, BY THE SAME INTERESTS.

43           2. "ONLINE LODGING OPERATOR" MEANS A PERSON THAT IS ENGAGED IN THE  
44 BUSINESS OF RENTING TO AN OCCUPANT, INCLUDING A TRANSIENT AS DEFINED IN  
45 SECTION 42-5070, ANY LODGING ACCOMMODATION OFFERED THROUGH AN ONLINE LODGING  
46 MARKETPLACE.

1           3. "ONLINE LODGING TRANSACTION" MEANS A CHARGE TO AN OCCUPANT,  
2 INCLUDING A TRANSIENT AS DEFINED IN SECTION 42-5070, BY AN ONLINE LODGING  
3 OPERATOR FOR THE OCCUPANCY OF ANY LODGING ACCOMMODATION AND INCLUDES AN  
4 ONLINE TRANSIENT LODGING TRANSACTION.

5           4. "ONLINE TRANSIENT LODGING TRANSACTION" MEANS A CHARGE TO AN  
6 OCCUPANT WHO IS A TRANSIENT AS DEFINED IN SECTION 42-5070 BY AN ONLINE  
7 LODGING OPERATOR FOR THE OCCUPANCY OF ANY LODGING ACCOMMODATION.

8           Sec. 11. Title 42, chapter 6, article 1, Arizona Revised Statutes, is  
9 amended by adding sections 42-6009 and 42-6013, to read:

10           42-6009. Online lodging: definitions

11           A. EXCEPT AS PROVIDED BY THIS SECTION, A CITY, TOWN OR OTHER TAXING  
12 JURISDICTION MAY NOT LEVY A TRANSACTION PRIVILEGE, SALES, USE, FRANCHISE OR  
13 OTHER SIMILAR TAX OR FEE, HOWEVER DENOMINATED, ON THE BUSINESS OF OPERATING  
14 AN ONLINE LODGING MARKETPLACE OR, IN THE CASE OF AN ONLINE LODGING  
15 MARKETPLACE THAT IS LICENSED PURSUANT TO SECTION 42-5005, SUBSECTION L, ON  
16 ANY ONLINE LODGING TRANSACTION FACILITATED BY THE ONLINE LODGING MARKETPLACE  
17 OR ON ANY ONLINE LODGING OPERATOR WITH RESPECT TO ANY ONLINE LODGING  
18 TRANSACTION FOR WHICH IT HAS RECEIVED DOCUMENTATION THAT THE ONLINE LODGING  
19 MARKETPLACE HAS OR WILL REMIT THE APPLICABLE TAX TO THE DEPARTMENT PURSUANT  
20 TO SECTION 42-5014, SUBSECTION E.

21           B. IN THE CASE OF AN ONLINE LODGING MARKETPLACE THAT IS LICENSED  
22 PURSUANT TO SECTION 42-5005, SUBSECTION L, A CITY, TOWN OR OTHER TAXING  
23 JURISDICTION MAY LEVY A TRANSACTION PRIVILEGE, SALES, USE, FRANCHISE OR OTHER  
24 SIMILAR TAX OR FEE AS PROVIDED BY THE MODEL CITY TAX CODE ON THE ONLINE  
25 LODGING MARKETPLACE SUBJECT TO THE FOLLOWING CONDITIONS:

26           1. THE ADOPTED TAX MUST BE ADMINISTERED IN A MANNER THAT IS UNIFORM  
27 WITH THE TREATMENT OF ONLINE LODGING MARKETPLACES, ONLINE LODGING OPERATORS  
28 AND ONLINE LODGING TRANSACTIONS PROVIDED BY CHAPTER 5 OF THIS TITLE, EXCEPT  
29 THAT:

30           (a) THE ADOPTED TAX RATE MAY BE DIFFERENT FROM THE STATE TAX RATE  
31 PRESCRIBED BY SECTION 42-5010.

32           (b) THE ADOPTED TAX MAY APPLY TO ONLINE LODGING TRANSACTIONS INVOLVING  
33 RENTALS OF LODGING ACCOMMODATIONS FOR MORE THAN TWENTY-NINE CONSECUTIVE DAYS.  
34 WITH RESPECT TO ANY TAX ON RENTALS OF LODGING ACCOMMODATIONS FOR MORE THAN  
35 TWENTY-NINE CONSECUTIVE DAYS, IN THE CASE OF AN ONLINE LODGING MARKETPLACE  
36 THAT HAS REGISTERED PURSUANT TO SECTION 42-5005, SUBSECTION L, THE ADOPTED  
37 TAX MUST UNIFORMLY APPLY TO ALL LODGING ACCOMMODATIONS FOR THIRTY CONSECUTIVE  
38 DAYS OR MORE, AND THE TAX BASE FOR THE TAX MUST BE LIMITED EXCLUSIVELY TO  
39 ONLINE LODGING TRANSACTIONS FACILITATED BY AN ONLINE LODGING MARKETPLACE FOR  
40 RENTALS OF LODGING ACCOMMODATIONS FOR THIRTY CONSECUTIVE DAYS OR MORE AND  
41 LOCATED IN THE APPLICABLE CITY, TOWN OR OTHER TAXING JURISDICTION.

42           2. THE ADOPTED TAX SHALL BE ADMINISTERED, COLLECTED AND ENFORCED BY  
43 THE DEPARTMENT AND REMITTED TO THE CITY, TOWN OR OTHER TAXING JURISDICTION IN  
44 A UNIFORM MANNER.



1           3. THE ADOPTED TAX MUST BE UNIFORM ON ONLINE LODGING MARKETPLACES,  
2 ONLINE LODGING OPERATORS AND OTHER TAXPAYERS OF THE SAME CLASS WITHIN THE  
3 JURISDICTIONAL BOUNDARIES OF THE CITY, TOWN OR OTHER TAXING JURISDICTION.

4           4. ANY ADOPTED TAX IS SUBJECT TO:

5           (a) SECTION 42-6002, RELATING TO AUDITS.

6           (b) SECTION 42-2003, SUBSECTION Y, RELATING TO CONFIDENTIAL  
7 INFORMATION.

8           (c) SECTION 42-5003, SUBSECTION B, RELATING TO JUDICIAL ENFORCEMENT.

9           (d) SECTION 42-5005, SUBSECTION L, RELATING TO REGISTRATION OF ONLINE  
10 LODGING MARKETPLACES.

11           (e) SECTION 42-5014, SUBSECTION E, RELATING TO TAX RETURNS.

12           5. THE TAX MAY NOT BE COLLECTED FROM AN ONLINE LODGING OPERATOR WITH  
13 RESPECT TO ANY ONLINE LODGING TRANSACTION OR TRANSACTIONS FOR WHICH THE  
14 ONLINE LODGING OPERATOR HAS RECEIVED WRITTEN NOTICE OR DOCUMENTATION FROM A  
15 REGISTERED ONLINE LODGING MARKETPLACE THAT IT HAS OR WILL REMIT THE  
16 APPLICABLE TAX WITH RESPECT TO THOSE TRANSACTIONS TO THE DEPARTMENT PURSUANT  
17 TO SECTION 42-5014, SUBSECTION E.

18           C. FOR THE PURPOSES OF THIS SECTION, "LODGING ACCOMMODATIONS", "ONLINE  
19 LODGING MARKETPLACE", "ONLINE LODGING OPERATOR" AND "ONLINE LODGING  
20 TRANSACTION" HAVE THE SAME MEANINGS PRESCRIBED IN SECTION 42-5076.

21           42-6013. Electronic consolidated real property management tax  
22 returns; definition

23           A. FOR TAXABLE PERIODS BEGINNING FROM AND AFTER DECEMBER 31, 2017, A  
24 CITY OR TOWN THAT LEVIES A TRANSACTION PRIVILEGE TAX UNDER THIS SECTION SHALL  
25 ALLOW PERSONS WHO ARE LICENSED PURSUANT TO TITLE 32, CHAPTER 20 AND WHO ARE  
26 LICENSED WITH THE DEPARTMENT PURSUANT TO SECTION 42-5005, SUBSECTION M TO  
27 FILE ELECTRONIC CONSOLIDATED TAX RETURNS WITH THE DEPARTMENT WITH RESPECT TO  
28 GROSS PROCEEDS OR GROSS INCOME DERIVED FROM THE INDIVIDUAL PROPERTIES UNDER  
29 MANAGEMENT ON BEHALF OF THE PROPERTY OWNERS, SUBJECT TO THE FOLLOWING  
30 CONDITIONS AND REQUIREMENTS:

31           1. THE DEPARTMENT SHALL ADMINISTER, COLLECT AND ENFORCE THE TAX THAT  
32 IS REPORTED AND PAID PURSUANT TO AN ELECTRONIC CONSOLIDATED RETURN AND REMIT  
33 THE COLLECTED REVENUES TO THE APPROPRIATE CITY OR TOWN.

34           2. THE TAX MAY NOT BE COLLECTED FROM ANY PROPERTY OWNER WHOSE LICENSEE  
35 HAS PROVIDED WRITTEN DOCUMENTATION TO THE PROPERTY OWNER AND TO THE CITY OR  
36 TOWN THAT THE LICENSEE HAS REPORTED AND REMITTED OR WILL REPORT AND REMIT THE  
37 APPLICABLE TAX WITH RESPECT TO THE PROPERTY UNDER MANAGEMENT.

38           3. THE DEPARTMENT SHALL DEVELOP AN ELECTRONIC CONSOLIDATED RETURN FORM  
39 THAT SEPARATELY IDENTIFIES EACH OWNER'S PROPERTY LOCATIONS AND THE GROSS  
40 INCOME AND DEDUCTIONS FOR EACH PROPERTY LOCATION. THE LICENSEE SHALL FILE  
41 THE RETURN ELECTRONICALLY USING THE CONSOLIDATED RETURN FORM DEVELOPED BY THE  
42 DEPARTMENT.

43           4. ALL PARTICIPATING PROPERTY OWNERS INCLUDED IN THE SAME ELECTRONIC  
44 CONSOLIDATED RETURN MUST BE ON THE SAME TAX PAYMENT SCHEDULE AND USE THE SAME  
45 CASH RECEIPTS OR ACCRUAL BASIS OF REPORTING.

46           5. A LICENSEE FILING AN ELECTRONIC CONSOLIDATED RETURN:

- 1 (a) ACTS IN A FIDUCIARY CAPACITY AS THE PROPERTY OWNERS' AGENT.
- 2 (b) IS RESPONSIBLE AND ACCOUNTABLE TO THE PROPERTY OWNERS AND TO THE
- 3 CITY OR TOWN FOR FULLY AND ACCURATELY REPORTING AND PAYING TO THE DEPARTMENT
- 4 THE TAX AND ANY OTHER AMOUNTS DUE.
- 5 (c) IS SUBJECT TO AUDIT, AS PROVIDED BY LAW, OF THE ELECTRONIC
- 6 CONSOLIDATED RETURNS, INCLUDING DATA IN THE LICENSEE'S POSSESSION THAT IS
- 7 USED IN COMPILING AND FILING THE ELECTRONIC CONSOLIDATED RETURNS.
- 8 6. A PROPERTY OWNER:
- 9 (a) REMAINS ULTIMATELY RESPONSIBLE, ACCOUNTABLE AND LIABLE FOR BOTH:
- 10 (i) THE ACCURACY OF INFORMATION THE PROPERTY OWNER FURNISHES TO THE
- 11 LICENSEE.
- 12 (ii) THE RETURN AND PAYMENT OF THE FULL TAX LIABILITY.
- 13 (b) IS SUBJECT TO AUDIT, AS PROVIDED BY LAW, OF THE RECORDS IN THE
- 14 PROPERTY OWNER'S POSSESSION THAT ARE SUBMITTED TO THE LICENSEE FOR THE
- 15 PURPOSES OF THE ELECTRONIC CONSOLIDATED RETURN.
- 16 (c) MAY WITHDRAW ANY OF THE PROPERTY OWNER'S PROPERTIES FROM THE
- 17 ELECTRONIC CONSOLIDATED RETURN ON THIRTY DAYS' WRITTEN NOTICE TO THE
- 18 LICENSEE, THE DEPARTMENT AND THE TAX COLLECTOR OF THE CITY OR TOWN.
- 19 B. FOR THE PURPOSES OF THIS SECTION, "LICENSEE" MEANS A PERSON WHO IS
- 20 LICENSED PURSUANT TO TITLE 32, CHAPTER 20 AND WHO IS LICENSED WITH THE
- 21 DEPARTMENT PURSUANT TO SECTION 42-5005, SUBSECTION M.

22 Sec. 12. Section 42-12003, Arizona Revised Statutes, is amended to  
23 read:

24 42-12003. Class three property; definition

25 A. For purposes of taxation, class three is established consisting of:

- 26 1. Real and personal property and improvements to the property that
- 27 are used as the owner's primary residence, that are not otherwise included in
- 28 class one, two, four, six, seven or eight and that are valued at full cash
- 29 value.
- 30 2. Real and personal property that is occupied by a relative of the
- 31 owner, as provided by section 42-12053, and used as the relative's primary
- 32 residence, that is not otherwise included in class one, two, four, six, seven
- 33 or eight and that is valued at full cash value.

34 3. REAL AND PERSONAL PROPERTY THAT IS OWNED AND OCCUPIED AS THE  
35 PRIMARY RESIDENCE OF THE OWNER WHO ALSO USES THE PROPERTY FOR LEASE OR RENT  
36 TO LODGERS.

37 B. For the purposes of this section, a homesite that is included in  
38 class three may include:

- 39 1. Up to ten acres on a single parcel of real property on which the
- 40 residential improvement is located.
- 41 2. More than ten, but not more than forty, acres on a single parcel of
- 42 real property on which the residential improvement is located if it is zoned
- 43 exclusively for residential purposes or contains legal restrictions or
- 44 physical conditions that prevent the division of the parcel.

1 C. For the purposes of this section, "physical conditions" means  
2 topography, mountains, washes, rivers, roads or any other configuration that  
3 limits the residential usable land area.

4 Sec. 13. Section 42-12004, Arizona Revised Statutes, is amended to  
5 read:

6 42-12004. Class four property

7 A. For purposes of taxation, class four is established consisting of:

8 1. Real and personal property and improvements to the property that  
9 are used for residential purposes, including residential property that is  
10 owned in foreclosure by a financial institution, that is not otherwise  
11 included in another classification and that is valued at full cash value.  
12 The homesite that is included in class four may include:

13 (a) Up to ten acres on a single parcel of real property on which the  
14 residential improvement is located.

15 (b) More than ten, but not more than forty, acres on a single parcel  
16 of real property on which the residential improvement is located if it is  
17 zoned exclusively for residential purposes or contains legal restrictions or  
18 physical conditions that prevent the division of the parcel. For the  
19 purposes of this subdivision, "physical conditions" means topography,  
20 mountains, washes, rivers, roads or any other configuration that limits the  
21 residential usable land area.

22 2. Real and personal property and improvements to the property that  
23 are used solely as leased or rented property for residential purposes, that  
24 are not included in class one, two, three, six, seven or eight and that are  
25 valued at full cash value.

26 3. Child care facilities that are licensed under title 36, chapter 7.1  
27 and that are valued at full cash value.

28 4. Real and personal property and improvements to property that are  
29 used to operate nonprofit residential housing facilities that are structured  
30 to house or care for persons with disabilities or who are sixty-two years of  
31 age or older and that are valued at full cash value.

32 5. Real and personal property and improvements that are used to  
33 operate licensed residential care institutions or licensed nursing care  
34 institutions that provide medical services, nursing services or health  
35 related services and that are structured to house or care for persons with  
36 disabilities or who are sixty-two years of age or older and that are valued  
37 at full cash value.

38 6. Real and personal property consisting of no more than eight rooms  
39 of residential property that are leased or rented to transient lodgers,  
40 together with furnishing no more than a breakfast meal, by the owner who  
41 resides on the property and that is valued at full cash value.

42 7. Real and personal property consisting of residential dwellings that  
43 are maintained for occupancy by agricultural employees as a condition of  
44 employment or as a convenience to the employer, that is not included in class  
45 three and that is valued at full cash value. The land associated with these

1 dwellings shall be valued as agricultural land pursuant to chapter 13,  
2 article 3 of this title.

3 8. Real property and improvements to property constituting common  
4 areas that are valued pursuant to chapter 13, article 9 of this title.

5 9. Real and personal property that is defined as timeshare property by  
6 section 32-2197 and valued pursuant to chapter 13, article 10 of this title,  
7 except for any property used for commercial, industrial or transient  
8 occupancy purposes and included in class one to the extent of that use.

9 10. REAL AND PERSONAL PROPERTY AND IMPROVEMENTS THAT ARE USED FOR  
10 RESIDENTIAL PURPOSES, THAT ARE LEASED OR RENTED TO LODGERS, EXCEPT FOR:

11 (a) PROPERTY OCCUPIED BY THE OWNER OF THE PROPERTY AS THE OWNER'S  
12 PRIMARY RESIDENCE AND INCLUDED IN CLASS THREE.

13 (b) PROPERTY USED FOR COMMERCIAL PURPOSES AND INCLUDED IN CLASS ONE.

14 B. Subsection A, paragraphs 4 and 5 of this section shall not be  
15 construed to limit eligibility for exemption from taxation under chapter 11,  
16 article 3 of this title.

17 Sec. 14. Joint legislative study committee on transient  
18 lodging; report; repeal

19 A. The joint legislative study committee on transient lodging is  
20 established consisting of the following members:

21 1. Three members of the senate who are appointed by the president of  
22 the senate, not more than two of whom are members of the same political party  
23 and one of whom shall serve as co-chair.

24 2. Three members of the house of representatives who are appointed by  
25 the speaker of the house of representatives, not more than two of whom are  
26 members of the same political party and one of whom shall serve as co-chair.

27 3. One member who uses a residential home as a short term rental  
28 through an online lodging marketplace, as defined in section 42-5076, Arizona  
29 Revised Statutes, as added by this act, and who is appointed by the president  
30 of the senate.

31 4. One member who manages or operates a hotel, motel or bed and  
32 breakfast business and who is appointed by the speaker of the house of  
33 representatives.

34 5. One representative of an association of cities and towns in this  
35 state who is appointed by the president of the senate.

36 6. One representative of an association of counties in this state that  
37 represents county boards of supervisors and who is appointed by the speaker  
38 of the house of representatives.

39 7. One representative of an online lodging marketplace, as defined in  
40 section 42-5076, Arizona Revised Statutes, as added by this act, and who is  
41 appointed by the president of the senate.

42 8. One representative of a statewide lodging and tourism association  
43 who is appointed by the speaker of the house of representatives.

44 9. One representative of a taxpayer organization in this state who is  
45 appointed by the president of the senate.

1           10. One representative of a statewide association representing  
2 licensed real estate professionals who is appointed by the speaker of the  
3 house of representatives.

4           11. One representative of a statewide multihousing association who is  
5 appointed by the president of the senate.

6           12. One representative of a convention and visitor's bureau in this  
7 state who is appointed by the speaker of the house of representatives.

8           B. The committee shall consider current state and local government  
9 laws and regulations on the various types of accommodations used for the  
10 purposes of transient lodging. The committee shall consider the economic,  
11 business and consumer impact of the laws and regulations, including whether a  
12 regulation is the least burdensome to ensure compliance and whether there are  
13 viable alternatives for regulatory relief.

14           C. The committee may request industry data from relevant state  
15 agencies during an annual committee meeting to be held on or before September  
16 15, 2017 and annually thereafter.

17           D. The committee shall submit a report of the committee's findings and  
18 any recommendations on or before December 15, 2017, and each year thereafter,  
19 to the president of the senate, the speaker of the house of representatives  
20 and the governor and provide a copy of this report to the secretary of state.

21           E. This section is repealed and the committee terminates for all  
22 purposes from and after December 31, 2020.

23           Sec. 15. Applicability; savings

24           A. This act does not affect the rights and obligations under any  
25 existing agreement to pay taxes to a taxing jurisdiction in effect before the  
26 effective date of this act.

27           B. This act does not entitle an online lodging marketplace, as defined  
28 in section 42-5076, Arizona Revised Statutes, as added by this act, to a  
29 refund of any taxes or fees collected and paid to a taxing jurisdiction  
30 before the effective date of this act.

31           Sec. 16. Effective date

32           This act is effective from and after December 31, 2016.

APPROVED BY THE GOVERNOR MAY 12, 2016.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 12, 2016.