

# MARKETPLACE FAIRNESS ACT

## IMPLICATIONS TO ARIZONA

# THE ACT

- ▣ Grants authority to state and local jurisdictions to require the collection of sales and use taxes by remote sellers
  
- ▣ Two options:
  - A. Streamlined option
    - ▣ SSUTA member state
    - ▣ State must publish notice of intent to require collection
  - B. Non-Streamlined option
    - ▣ Adoption of federal minimum requirements
    - ▣ Legislative identification of products and services for which collection authority is not exercised

# Arizona's TPT Structure

- ▣ Arizona's transaction privilege tax is a tax on the privilege of engaging in business in the state. The liability for the tax is on the seller/vendor, who may choose to pass the tax on to the purchaser. The tax is levied on the value, gross proceeds or gross income derived from the business.
- ▣ Municipalities determine their own privilege tax base under the Model City Tax Code (MCTC).
- ▣ Municipalities determine their own rates.
  - ▣ low of 1%
  - ▣ high of 4%
- ▣ Cities currently have the authority to license and audit on their own behalf

# Minimum Simplification Requirements under Option B and their Implications for Arizona

States must provide remote sellers with:

- ▣ Central Administration
  - Laws 2013, Ch. 255 (HB 2111) TPT Simplification and Reform, effective 1/1/2015
  - Licensing
- ▣ Single audit for all state and local taxing jurisdictions within a state
  - Laws 2013, Ch. 255 (HB 2111) TPT Simplification and Reform, effective 1/1/2015

# Minimum requirements (cont.)

- ▣ Single return to file
  - Currently taxpayers are required to file with the State and each of the 18 nonprogram cities.
  - Laws 2013, Ch. 255 (HB 2111) TPT Simplification and Reform, effective 1/1/2015
- ▣ Return filing no more frequent than for in-state sellers
  - State filing frequency for all sellers is based on annual tax liability
  - Municipal
- ▣ Uniform State and Local Base
  - Currently cities have authority to impose their own municipal privilege tax (Model City Tax Code)
  - Laws 2013, Ch. 255 (HB 2111) TPT Simplification and Reform, effective 1/1/2015

# Minimum requirements (cont.)

- ▣ Uniform sourcing rules
  - Model City Tax Code
  - State Statute
  - Laws 2013, Ch. 255 (HB 2111) TPT Simplification and Reform, effective 1/1/2015
  
- ▣ Certain liability relief for remote sellers and “certified software providers”

# Tools states must provide to assist sellers under Option B

States must provide remote sellers with:

- ▣ Information indicating the taxability of products and services along with any product and service exemptions from sales and use tax
- ▣ Rates and boundary database
  - ▣ Laws 2013, Ch. 255 (HB 2111) TPT Simplification and Reform, effective 1/1/2015
- ▣ 90 days notice for state and local tax rate changes
- ▣ Software, free of charge
- ▣ Certification procedures for “certified software providers”

# Questions

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# Contact Information

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