

AGENDA ITEM # _____

DATE: June 22, 2015

COAC NUMBER: 15-5616

**CITY OF GOODYEAR
CITY COUNCIL ACTION FORM**

**SUBJECT: Approve IGA with the
Arizona Department of Revenue for
Sales Tax Collection.**

STAFF PRESENTER: Larry Lange,
Finance Director
COMPANY
CONTACT:

RECOMMENDATION:

Approve the Intergovernmental Agreement (IGA) between the City of Goodyear and the Arizona Department of Revenue 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 imposed by the State or cities or towns.

PURPOSE:

Arizona State Statute requires the Department of Revenue (DOR) to administer transaction privilege tax (TPT) for all local jurisdictions, including all of the current program cities and towns, as well as all of the self-collecting cities as soon as the DOR can provide the detailed reporting data as required by statute. As required by State Statute, every city and town within the State of Arizona has an IGA that controls how the DOR collects TPT/sales taxes. The city's current IGA agreement will expire on June 30, 2015.

BACKGROUND AND COMMUNITY BENEFIT:

The attached IGA replaces the city's current IGA with the DOR. Local TPT administration is governed by A.R.S. § 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 the DOR to administer the transaction privilege and use taxes 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 the DOR and Arizona cities and towns.

This IGA intends to cover all aspects of administration after the DOR 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 the DOR is able to perform the administrative functions documented in statute. Goodyear is not a self-collecting city.

Although tax simplification will have the greatest impact on those cities and towns that are currently self-collecting, there are also considerable improvements for cities and towns in the State collection program as a result of simplification, particularly in the form of receiving much more detailed taxpayer data.

The IGA covers all aspects of local tax administration. It addresses confidentiality, simplifies guidance on the use of taxpayer data for public reporting and analysis, includes clear direction on the sharing of taxpayer license information between the city and the DOR, and identifies new DOR reports soon to be provided to all cities.

The first changes related to tax simplification that went into effect were new rules dealing with auditing, which the DOR and cities began following in January 2015. The IGA formalizes both the concepts included in statute and the main concepts used in practice by auditors in the field. Key factors include a commitment to audit for all jurisdictions whenever any audit is being done, the continued authority for any city or town to perform an audit of a taxpayer that is engaged in business only in their town, the general guidance that the DOR will lead all multi-jurisdictional audits, and the option for the DOR to delegate actual audit performance to a city or town when circumstances indicate it would be the most efficient means of completing the audit.

The new IGA provides for a formal review process using the new “State and Local Uniformity Group” made up of four city and four DOR tax experts who will work together 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 is renewed automatically each year. Either party has the right to reopen and renegotiate the terms according to provisions within the agreement.

Regardless of whether the city has signed the IGA, the DOR is and will continue to provide the statutorily required services and will do so in the manner described in the IGA. Not approving the IGA might serve to limit the city’s ability to enforce its rights and authorities as outlined in the IGA.

PREVIOUS ACTIONS AND DISCUSSION:

None.

FISCAL ANALYSIS:

The IGA will not result in any budgetary impact to the city.

ATTACHMENTS:

1. Intergovernmental Agreement between the State of Arizona and the City of Goodyear
2. Appendix A – Arizona Department of Revenue Confidentiality Requirements
3. Appendix B – Reports
4. Appendix C – Arizona Joint Tax Application
5. Appendix C – Transaction Privilege, Use, and Severance Tax Return