

AGENDA ITEM #: \_\_\_\_\_

DATE: August 22, 2016

COAC #: 16-5884

**CITY OF GOODYEAR  
CITY COUNCIL ACTION FORM**

**SUBJECT:** Approve modifications to the IGA between the city of Goodyear and the Arizona Department of Revenue for sales tax collection

**STAFF PRESENTER:** Doug Sandstrom,  
Finance Director

**CASE NUMBER:** N/A

**OTHER PRESENTER:** N/A

**RECOMMENDATION:**

Approve the modifications to 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, 2017 (renewed automatically each year).

**BACKGROUND AND PREVIOUS ACTIONS:**

The attached IGA makes modifications to the city's current IGA with the DOR. Local TPT administration is governed by A.R.S. § 42-6001.

Last summer all cities and towns entered into a new Intergovernmental Agreement (IGA) with the Department of Revenue for the administration of Transaction Privilege Tax, as required under A.R.S. § 42-6001. The IGA allowed for the parties to modify the agreement if necessary by mutual agreement. Several issues were presented over the course of the past year that did indeed need to be addressed, so a review process was initiated by the Department working with the League and key city and town representatives.

The initial IGA between the city of Goodyear and the Arizona Department of Revenue was approved by Council on June 22, 2015.

**CURRENT POLICY:**

This “Modification to Intergovernmental Agreement between the State of Arizona and City/Town” constitutes an extension of the existing agreement with the noted changes, effective from and after July 1, 2016.

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.

The terms of this IGA run on an annual basis from July 1, 2016 through June 30, 2017 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.

#### **STAFF ANALYSIS:**

The Finance staff and Legal department have reviewed the modifications to the IGA between the city of Goodyear and the Arizona Department of Revenue and find that they are in compliance with state law and city policies. They are in support of the proposed action.

#### **FISCAL ANALYSIS:**

Though there is no financial impact from this IGA, the statutory financial obligation addressed in the section 10 revisions is funded in the FY17 budget.

#### **ATTACHMENTS:**

1. Intergovernmental Agreement between the State of Arizona and the city of Goodyear
2. City IGA 2016 Modifications – Final 6-17-2016 – Summary of Changes
3. City IGA 2016 Modifications – Final 6-17-2016
4. Appendix A – Arizona Department of Revenue Confidentiality Requirements
5. Appendix B – Reports
6. Appendix C – Arizona Joint Tax Application
7. Appendix D – Transaction Privilege, Use, and Severance Tax Return