

Arizona Business Community Supports TPT Reform

The Time Has Come

The undersigned organizations want to express their strong support for the passage of legislation to implement the recommendations of Governor Brewer's Transaction Privilege (Sales) Tax Simplification Task Force. We would also like to express our sincere appreciation to Governor Brewer for the leadership that she has shown in proposing resolutions to one of Arizona's longest standing tax problems.

For decades, Arizona's overly complicated state and local sales tax system has burdened Arizona businesses with extraordinary and wasteful compliance costs. Unlike almost every other state, Arizona's sales tax system requires businesses to maintain two sets of books to determine their sales tax liability. In addition, depending on location, they are required to remit separate sales tax payments to the state as well as the cities in which they operate. The enormous and wasteful costs imposed by this system on Arizona businesses kills jobs and impedes economic development.

Arizona's chaotic and dysfunctional sales tax system has been the subject of considerable controversy at the Capitol for over 30 years. Regrettably, despite the cries for relief from Arizona businesses, the demands of Arizona cities to maintain an independent municipal system have won the day. The creation of the Task Force, as well as the appearance for the first time that the cities recognized the need for reform, gave Arizona businesses great hope that this system would finally be reformed. However, most regrettably, Arizona cities have again decided that local control eclipses all of the overwhelming evidence for reform.

Debates between taxpayers and their government about the size and scope of government are necessary and there is considerable room for legitimate disagreements. However, both sides should be able to agree that the tax system should be simple with minimal compliance and administration costs. The work of the Task Force clearly demonstrated that Arizona's unique sales tax structure fails almost every criterion for judging a good tax system.

Finally, it should be noted that the sales tax is Arizona's most important revenue source. It currently accounts for almost 50% of the state's general fund revenues. It is also an important revenue source for counties and cities. Additionally, it has been well established that Arizona loses an ever increasing amount of sales tax revenue to online retail. The TPT Task Force correctly notes that "the shift in consumer behavior toward online retail over the past decade has cost Arizona tax revenue, jobs and local economic activity." A recent study from the National Conference of State Legislatures estimated Arizona's lost revenue at \$709 million.

The TPT Task Force notes that there are currently three proposals in Congress to allow states to require collection of sales tax on remote sales. All three versions would require Arizona to make fundamental changes to simplify and streamline its current TPT system. As Arizona businesses have argued, these reforms should have been made decades ago. The undersigned organizations believe that these reforms are now in the collective best interests of Arizona taxpayers, businesses, and state and local governments.

Again, we applaud Governor Brewer for dedicating the time and energy to finally address this long-standing black mark on Arizona's tax system. We also want to recognize the countless hours spent on the Task Force by Senate Majority Leader John McComish and House Majority Whip Rick Gray and we strongly encourage the Arizona Legislature to embrace the Task Force recommendations and implement them as quickly as practicable.

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Michelle Lind, Chief Executive Officer, Arizona Association of REALTORS

Mark Minter, Executive Director, Arizona Builders Alliance

Bas Aja, Executive Vice President, Arizona Cattlemen's Association

Glenn Hamer, President & CEO, Arizona Chamber of Commerce

Francis McAllister, Chairman, Arizona Mining Association

Courtney LeVinus, Arizona Multihousing Association

Michelle Allen Ahlmer, Executive Director, Arizona Retailers Association

Steve Chucri, President/CEO, Arizona Restaurant Association

Rick Murray, Chief Executive Officer, Arizona Small Business Association

Richard Usher, Chairman, Arizona State Contractors Coalition

Steve Zylstra, President & CEO, Arizona Technology Council

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Todd Sanders, President & CEO, Greater Phoenix Chamber of Commerce

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