

State of Arizona
House of Representatives
Fifty-first Legislature
Second Regular Session
2014

HOUSE BILL 2586

AN ACT

AMENDING SECTION 41-1525, ARIZONA REVISED STATUTES; AMENDING TITLE 42, CHAPTER 1, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 42-1130; AMENDING SECTION 42-2003, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, FIRST SPECIAL SESSION, CHAPTER 9, SECTION 3 AND LAWS 2013, FIRST REGULAR SESSION, CHAPTER 40, SECTION 2, CHAPTER 114, SECTION 6 AND CHAPTER 222, SECTION 3; AMENDING SECTION 42-2003, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 255, SECTION 2; RELATING TO CONFIDENTIAL TAXPAYER INFORMATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 41-1525, Arizona Revised Statutes, is amended to
3 read:

4 41-1525. Arizona quality jobs incentives; tax credits for new
5 employment; qualifications; definitions

6 A. The owner of a business located in this state before July 2017 is
7 eligible for income tax credits under section 43-1074 or 43-1161 or an
8 insurance premium tax credit under section 20-224.03 for net increases in
9 full-time employees residing in this state and hired in qualified employment
10 positions in this state.

11 B. To qualify under this section, and subject to preapproval by the
12 authority, the business must meet either of the following requirements for
13 each location of the business before it claims a first year tax credit for
14 the location:

15 1. Invest at least five million dollars of capital investment and
16 create at least twenty-five new qualified employment positions at a location
17 within the exterior boundaries of a city or town that has a population of
18 fifty thousand persons or more and that is located in a county that has a
19 population of eight hundred thousand persons or more.

20 2. Invest at least one million dollars of capital investment and
21 create at least five qualified employment positions in any other location.

22 C. The capital investment and the new qualified employment positions
23 requirements of subsection B of this section must be accomplished within
24 twelve months after the start of the required capital investment. No credit
25 may be claimed until both requirements are met. A business that meets the
26 requirements of subsection B of this section for a location is eligible to
27 claim first year credits for three years beginning with the taxable year in
28 which those requirements are completed. Employees hired at the location
29 before the beginning of the taxable year but during the twelve-month period
30 allowed in this subsection are considered to be new employees for the taxable
31 year in which all of those requirements are completed. The employees that
32 are considered to be new employees for the taxable year under this subsection
33 shall not be included in the average number of full-time employees during the
34 immediately preceding taxable year until the taxable year in which all of the
35 requirements of subsection B of this section are completed. An employee
36 working at a temporary work site in this state while the designated location
37 is under construction is considered to be working at the designated location
38 if all of the following occur:

39 1. The employee is hired after the start of the required investment at
40 the designated location.

41 2. The employee is hired to work at the designated location after it
42 is completed.

43 3. The payroll for the employees destined for the designated location
44 is segregated from other employees.

1 4. The employee is moved to the designated location within thirty days
2 after its completion.

3 D. No more than ten thousand new jobs for all employers qualify for
4 first year credits each year.

5 E. To claim a tax credit, the business must:

6 1. Obtain preapproval from the authority at a time, on a form and in a
7 manner prescribed by the authority. Preapproval shall cover all first year
8 credits intended to be claimed for the designated location and all second and
9 third year credits associated with those first year credits.

10 2. Certify to the department of revenue or the department of
11 insurance, as applicable, on or before the due date of the tax return,
12 including any extensions for the year for which the credit is claimed, in a
13 form prescribed by the department, including electronic media, information
14 that the department may require, including the ownership interests of
15 co-owners of the business if the business is a partnership, limited liability
16 company or an S corporation, and the following information for each employee
17 in the designated location:

18 (a) The date of initial employment.

19 (b) The number of hours worked during the year.

20 (c) Whether the position was full-time.

21 (d) The employee's annual compensation.

22 (e) The total cost of health insurance for the employee and the cost
23 paid by the employer.

24 (f) Other information required by the department.

25 3. Report and certify to the authority the following information, and
26 provide supporting documentation, on a form and in a manner approved by the
27 authority, and as specified in subsection F of this section, for each year in
28 which the taxpayer earned and claimed or used credits or is carrying forward
29 amounts from previously earned and claimed credits:

30 (a) The business name and mailing address and any other contact
31 information requested by the authority.

32 (b) The physical address of the business location or locations and the
33 number of employees qualified for the credit at each location.

34 (c) The average hourly wage and the total amount of compensation paid
35 to employees qualified for the credit and for all employees.

36 (d) The total number of qualified employment positions and the amount
37 of income tax or premium tax credits qualified for in the taxable year.

38 (e) The estimated amount of tax credits to be used in the taxable year
39 to offset tax liability.

40 (f) The estimated amount of tax credits to be available for
41 carryforward in the taxable year and the year in which the credits expire.

42 (g) The number of jobs and the amount of credits earned and claimed on
43 the prior year's tax return.

44 (h) The amount of credits used to offset tax liabilities on the prior
45 year's tax return.

1 (i) The amount of credits available for carryforward as reported on
2 the prior year's tax return and the year the credits expire.

3 (j) Capital investment made during the taxable year and the preceding
4 taxable year.

5 (k) Other information necessary for the management and reporting of
6 the incentives under this section.

7 4. For any year in which the taxpayer is claiming first year credits,
8 report and certify the following additional information and provide
9 supporting documentation to the authority on a form and in a manner approved
10 by the authority, and as specified in subsection F of this section:

11 (a) That the net increase in the number of qualified employment
12 positions for which credit is sought is the least of:

13 (i) The total number of filled qualified employment positions created
14 at the designated location or locations during the taxable year.

15 (ii) The difference between the average number of full-time employees
16 in this state in the current taxable year and the average number of full-time
17 employees in this state during the immediately preceding taxable year.

18 (b) That all employees filling a qualified employment position were
19 employed for at least ninety days during the first taxable year. Employees
20 hired in the last ninety days of the taxable year are excluded for that
21 taxable year and are considered to be new employees in the following taxable
22 year.

23 (c) That none of the employees filling qualified employment positions
24 were employed by the taxpayer during the twelve months before the current
25 date of hire except for those relocating to this state.

26 (d) That all employees for whom second and third year credits are
27 claimed are in qualified employment positions for which first year credits
28 were allowed and claimed by the taxpayer on the original first and second
29 year tax returns.

30 (e) That all employees for whom credits are taken performed their job
31 duties primarily at the designated locations of the business.

32 F. To qualify for first year credits, the report and certification
33 prescribed by subsection E, paragraphs 3 and 4 of this section must be filed
34 with the authority by the earlier of six months after the end of the taxable
35 year in which the qualified employment positions were created or by the date
36 the tax return is filed for the taxable year in which the qualified
37 employment positions were created. To qualify for second year credits, the
38 report and certification prescribed by subsection E, paragraph 3 of this
39 section must be filed with the authority by the earlier of six months after
40 the end of the taxable year or the date the tax return is filed for the
41 taxable year in which the second year credits are allowable. To qualify for
42 third year credits, the report and certification prescribed by subsection E,
43 paragraph 3 of this section must be filed with the authority by the earlier
44 of six months after the end of the taxable year or the date the tax return is
45 filed for the taxable year in which the third year credits are allowable.

1 G. Any information submitted to the authority under subsection E,
2 paragraph 3, subdivisions (e) through (j) of this section is exempt from
3 title 39, chapter 1, article 2 and considered to be confidential and is not
4 subject to disclosure except:

5 1. To the extent that the person or organization that provided the
6 information consents to the disclosure.

7 2. To the department of revenue for use in tax administration AND FOR
8 THE REPORT REQUIRED BY SECTION 42-1130.

9 H. Documents filed with the authority, the department of insurance and
10 the department of revenue under subsection E of this section shall contain
11 either a sworn statement or certification, signed by an officer of the
12 company under penalty of perjury, that the information contained is true and
13 correct according to the best belief and knowledge of the person submitting
14 the information after a reasonable investigation of the facts. If the
15 document contains information that is materially false, the taxpayer is
16 ineligible for the tax credits described under subsection A of this section
17 and is subject to recovery of the amount of tax credits allowed in preceding
18 taxable years based on the false information, plus penalties and interest.

19 I. The authority may make site visits to a taxpayer's facilities if it
20 is necessary to further document or clarify reported information. The
21 taxpayer must freely provide the access.

22 J. The authority by rule shall prescribe preapproval requirements and
23 additional reporting requirements for taxpayers who claim tax credits
24 pursuant to this section.

25 K. On or before September 30 of each year, the authority shall
26 transmit a report to the governor, the president of the senate, the speaker
27 of the house of representatives and the chairpersons of the senate finance
28 committee and the house of representatives ways and means committee and
29 provide a copy of the report to the secretary of state. The report shall
30 include the following information:

31 1. The business names, locations, number of employees and amount of
32 compensation paid to employees qualifying for income tax credits as reported
33 to the authority.

34 2. The amount of capital investment, made during the preceding fiscal
35 year and cumulatively.

36 3. The total amount of income tax credits allowed for the preceding
37 taxable year and the number of qualified employment positions for which
38 credits were claimed pursuant to sections 43-1074 and 43-1161.

39 L. For the purposes of this section:

40 1. "Capital investment" means an expenditure to acquire, lease or
41 improve property that is used in operating a business, including:

42 (a) Land, buildings, machinery and fixtures.

43 (b) For taxable years beginning from and after June 30, 2011,
44 equipment.

1 2. "Designated location" means the location at which the required
2 capital investment is made under subsection B of this section.

3 3. "Location" means a single parcel or contiguous parcels of owned or
4 leased land in this state, the structures and personal property contained on
5 the land or any part of the structures occupied by the owner. Parcels that
6 are separated only by a public thoroughfare or right-of-way are considered to
7 be contiguous but parcels that are in locations respectively described by
8 subsection B, paragraphs 1 and 2 of this section are not considered to be
9 contiguous.

10 4. "Qualified employment position" means employment that meets the
11 following requirements:

12 (a) The position consists of at least one thousand seven hundred fifty
13 hours per year of full-time permanent employment.

14 (b) The job duties are performed primarily at the location or
15 locations of the business in this state.

16 (c) The employment provides health insurance coverage for the employee
17 for which the employer pays at least sixty-five per cent of the premium or
18 membership cost. If the business is self-insured, the employer pays at least
19 sixty-five per cent of a predetermined fixed cost per employee for an
20 insurance program that is payable whether or not the employee has filed
21 claims.

22 (d) The employer pays compensation at least equal to the median wage
23 by county as computed annually by the authority.

24 Sec. 2. Title 42, chapter 1, article 3, Arizona Revised Statutes, is
25 amended by adding section 42-1130, to read:

26 42-1130. Corporate tax credit reports

27 A. FROM AND AFTER DECEMBER 31, 2014, THE DEPARTMENT MUST ANNUALLY
28 REPORT THE INFORMATION REQUIRED BY SUBSECTION B OF THIS SECTION FOR ANY
29 CORPORATION THAT CLAIMS AN AUTHORIZED TAX CREDIT EQUAL TO OR MORE THAN FIVE
30 THOUSAND DOLLARS IN THIS STATE PURSUANT TO SECTION 20-224.04, 41-1507,
31 41-1525, 43-1161, 43-1164.01, 43-1164.03, 43-1164.04 OR 43-1168 IN ANY
32 TAXABLE YEAR.

33 B. FOR EACH TAX CREDIT UNDER SECTION 20-224.03, 41-1507, 41-1525,
34 43-1161, 43-1164.01, 43-1164.03, 43-1164.04 OR 43-1168, THE DEPARTMENT SHALL
35 TRANSMIT AN ANNUAL REPORT TO THE GOVERNOR, THE PRESIDENT OF THE SENATE, THE
36 SPEAKER OF THE HOUSE OF REPRESENTATIVES AND THE CHAIRPERSONS OF THE SENATE
37 FINANCE COMMITTEE AND THE HOUSE OF REPRESENTATIVES WAYS AND MEANS COMMITTEE
38 AND PROVIDE A COPY OF THE REPORT TO THE SECRETARY OF STATE THAT INCLUDES THE
39 FOLLOWING INFORMATION:

40 1. THE AGGREGATE AMOUNT OF TAX CREDIT USED IN THE PRECEDING TAXABLE
41 YEAR AND THE AGGREGATE AMOUNT OF CARRYFORWARD FOR EACH SUBSEQUENT TAXABLE
42 YEAR.

43 2. A RECONCILIATION BETWEEN THE INFORMATION PROVIDED IN PARAGRAPH 1 OF
44 THIS SUBSECTION AND THE CORPORATIONS THAT ARE CLAIMING THE TAX CREDIT THAT

1 INCLUDES THE NAME OF EACH CORPORATION, THE AMOUNT OF CREDIT CLAIMED BY THE
2 CORPORATION AND THE AMOUNT OF CREDIT CARRIED FORWARD BY THE CORPORATION.

3 Sec. 3. Section 42-2003, Arizona Revised Statutes, as amended by Laws
4 2013, first special session, chapter 9, section 3 and Laws 2013, first
5 regular session, chapter 40, section 2, chapter 114, section 6 and chapter
6 222, section 3, is amended to read:

7 42-2003. Authorized disclosure of confidential information

8 A. Confidential information relating to:

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

13 2. A corporate taxpayer may be disclosed to any principal officer, any
14 person designated by a principal officer or any person designated in a
15 resolution by the corporate board of directors or other similar governing
16 body.

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

20 4. An estate may be disclosed to the personal representative of the
21 estate and to any heir, next of kin or beneficiary under the will of the
22 decedent if the department finds that the heir, next of kin or beneficiary
23 has a material interest which will be affected by the confidential
24 information.

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

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

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

34 B. Confidential information may be disclosed to:

35 1. Any employee of the department whose official duties involve tax
36 administration.

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

41 3. The department of liquor licenses and control for its use in
42 determining whether a spirituous liquor licensee has paid all transaction
43 privilege taxes and affiliated excise taxes incurred as a result of the sale
44 of spirituous liquor, as defined in section 4-101, at the licensed

1 establishment and imposed on the licensed establishments by this state and
2 its political subdivisions.

3 4. Other state tax officials whose official duties require the
4 disclosure for proper tax administration purposes if the information is
5 sought in connection with an investigation or any other proceeding conducted
6 by the official. Any disclosure is limited to information of a taxpayer who
7 is being investigated or who is a party to a proceeding conducted by the
8 official.

9 5. The following agencies, officials and organizations, if they grant
10 substantially similar privileges to the department for the type of
11 information being sought, pursuant to statute and a written agreement between
12 the department and the foreign country, agency, state, Indian tribe or
13 organization:

14 (a) The United States internal revenue service, alcohol and tobacco
15 tax and trade bureau of the United States treasury, United States bureau of
16 alcohol, tobacco, firearms and explosives of the United States department of
17 justice, United States drug enforcement agency and federal bureau of
18 investigation.

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

20 (c) An organization of states, federation of tax administrators or
21 multistate tax commission that operates an information exchange for tax
22 administration purposes.

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

26 (e) An agency, official or organization of an Indian tribal government
27 with responsibilities comparable to the responsibilities of the agencies,
28 officials or organizations identified in subdivision (a), (b) or (c) of this
29 paragraph.

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

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

34 (a) The processing, storage, transmission, destruction and
35 reproduction of the information.

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

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

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

42 (a) Regarding income tax or withholding tax.

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

- 1 9. The United States treasury inspector general for tax administration
2 for the purpose of reporting a violation of internal revenue code section
3 7213A (26 United States Code section 7213A), unauthorized inspection of
4 returns or return information.
- 5 10. The financial management service of the United States treasury
6 department for use in the treasury offset program.
- 7 11. The United States treasury department or its authorized agent for
8 use in the state income tax levy program and in the electronic federal tax
9 payment system.
- 10 12. The Arizona commerce authority for its use in:
11 (a) Qualifying renewable energy operations for the tax incentives
12 under sections 42-12006, 43-1083.01 and 43-1164.01.
13 (b) Qualifying businesses with a qualified facility for income tax
14 credits under sections 43-1083.03 and 43-1164.04.
15 (c) Fulfilling its annual reporting responsibility pursuant to section
16 41-1511, subsections U and V and section 41-1512, subsections U and V.
17 (d) Certifying computer data centers for tax relief under section
18 41-1519.
- 19 13. A prosecutor for purposes of section 32-1164, subsection C.
- 20 14. The state fire marshal for use in determining compliance with and
21 enforcing title 41, chapter 16, article 3.1.
- 22 15. The department of transportation for its use in administering
23 taxes, surcharges and penalties prescribed by title 28.
- 24 16. The Arizona health care cost containment system administration for
25 its use in administering nursing facility provider assessments.
- 26 C. Confidential information may be disclosed in any state or federal
27 judicial or administrative proceeding pertaining to tax administration
28 pursuant to the following conditions:
29 1. One or more of the following circumstances must apply:
30 (a) The taxpayer is a party to the proceeding.
31 (b) The proceeding arose out of, or in connection with, determining
32 the taxpayer's civil or criminal liability, or the collection of the
33 taxpayer's civil liability, with respect to any tax imposed under this title
34 or title 43.
35 (c) The treatment of an item reflected on the taxpayer's return is
36 directly related to the resolution of an issue in the proceeding.
37 (d) Return information directly relates to a transactional
38 relationship between a person who is a party to the proceeding and the
39 taxpayer and directly affects the resolution of an issue in the proceeding.
- 40 2. Confidential information may not be disclosed under this subsection
41 if the disclosure is prohibited by section 42-2002, subsection C or D.
- 42 D. Identity information may be disclosed for purposes of notifying
43 persons entitled to tax refunds if the department is unable to locate the
44 persons after reasonable effort.

1 E. The department, on the request of any person, shall provide the
2 names and addresses of bingo licensees as defined in section 5-401, verify
3 whether or not a person has a privilege license and number, a distributor's
4 license and number or a withholding license and number or disclose the
5 information to be posted on the department's website or otherwise publicly
6 accessible pursuant to section 42-1124, subsection F and section 42-3201,
7 subsection A.

8 F. A department employee, in connection with the official duties
9 relating to any audit, collection activity or civil or criminal
10 investigation, may disclose return information to the extent that disclosure
11 is necessary to obtain information that is not otherwise reasonably
12 available. These official duties include the correct determination of and
13 liability for tax, the amount to be collected or the enforcement of other
14 state tax revenue laws.

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

21 H. Confidential information relating to transaction privilege tax, use
22 tax, severance tax, jet fuel excise and use tax and any other tax collected
23 by the department on behalf of the county may be disclosed to any county,
24 city or town tax official if the information relates to a taxpayer who is or
25 may be taxable by the county, city or town. Any taxpayer information
26 released by the department to the county, city or town:

27 1. May only be used for internal purposes.

28 2. May not be disclosed to the public in any manner that does not
29 comply with confidentiality standards established by the department. The
30 county, city or town shall agree in writing with the department that any
31 release of confidential information that violates the confidentiality
32 standards adopted by the department will result in the immediate suspension
33 of any rights of the county, city or town to receive taxpayer information
34 under this subsection.

35 I. The department may disclose statistical information gathered from
36 confidential information if it does not disclose confidential information
37 attributable to any one taxpayer. The department may disclose statistical
38 information gathered from confidential information, even if it discloses
39 confidential information attributable to a taxpayer, to:

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

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

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

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

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

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

16 N. Except as provided in section 42-2002, subsection D, a court may
17 order the department to disclose confidential information pertaining to a
18 party to an action. An order shall be made only upon a showing of good cause
19 and that the party seeking the information has made demand upon the taxpayer
20 for the information.

21 O. This section does not prohibit the disclosure by the department of
22 any information or documents submitted to the department by a bingo licensee.
23 Before disclosing the information the department shall obtain the name and
24 address of the person requesting the information.

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

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

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

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

42 T. The department shall release confidential information as requested
43 by the attorney general for purposes of determining compliance with and
44 enforcing section 44-7101, the master settlement agreement referred to
45 therein and subsequent agreements to which the state is a party that amend or

1 implement the master settlement agreement. Information disclosed under this
2 subsection is limited to luxury tax information relating to tobacco
3 manufacturers, distributors, wholesalers and retailers and information
4 collected by the department pursuant to section 44-7101(2)(j).

5 U. For proceedings before the department, the office of administrative
6 hearings, the board of tax appeals or any state or federal court involving
7 penalties that were assessed against a return preparer, an electronic return
8 preparer or a payroll service company pursuant to section 42-1103.02,
9 42-1125.01 or 43-419, confidential information may be disclosed only before
10 the judge or administrative law judge adjudicating the proceeding, the
11 parties to the proceeding and the parties' representatives in the proceeding
12 prior to its introduction into evidence in the proceeding. The confidential
13 information may be introduced as evidence in the proceeding only if the
14 taxpayer's name, the names of any dependents listed on the return, all social
15 security numbers, the taxpayer's address, the taxpayer's signature and any
16 attachments containing any of the foregoing information are redacted and if
17 either:

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

20 2. Such return or return information relates or may relate to a
21 transactional relationship between a person who is a party to the proceeding
22 and the taxpayer which directly affects the resolution of an issue in the
23 proceeding.

24 3. The method of payment of the taxpayer's withholding tax liability
25 or the method of filing the taxpayer's withholding tax return is an issue for
26 the period.

27 V. The department may disclose to the attorney general confidential
28 information received under section 44-7111 and requested by the attorney
29 general for purposes of determining compliance with and enforcing section
30 44-7111. The department and attorney general shall share with each other the
31 information received under section 44-7111, and may share the information
32 with other federal, state or local agencies only for the purposes of
33 enforcement of section 13-3711, 36-798.06, 44-7101 or 44-7111 or
34 corresponding laws of other states.

35 W. The department may provide the name and address of qualifying
36 hospitals and qualifying health care organizations, as defined in section
37 42-5001, to a business classified and reporting transaction privilege tax
38 under the utilities classification.

39 X. The department may disclose to the attorney general confidential
40 information requested by the attorney general for the purposes of determining
41 compliance with and enforcing section 13-3711 or 36-798.06.

42 Y. The department may disclose to an official of any city, town or
43 county in a current agreement or considering a prospective agreement with the
44 department as described in section 42-5032.02, subsection F any information

1 relating to amounts subject to distribution required by section 42-5032.02.
2 Information disclosed by the department under this subsection:

- 3 1. May only be used by the city, town or county for internal purposes.
- 4 2. May not be disclosed to the public in any manner that does not
5 comply with confidentiality standards established by the department. The
6 city, town or county must agree with the department in writing that any
7 release of confidential information that violates the confidentiality
8 standards will result in the immediate suspension of any rights of the city,
9 town or county to receive information under this subsection.

10 **7. THE DEPARTMENT MAY PUBLICLY DISCLOSE THE REPORT REQUIRED BY SECTION**
11 **42-1130.**

12 Sec. 4. Section 42-2003, Arizona Revised Statutes, as amended by Laws
13 2013, chapter 255, section 2, is amended to read:

14 **42-2003. Authorized disclosure of confidential information**

15 A. Confidential information relating to:

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

20 2. A corporate taxpayer may be disclosed to any principal officer, any
21 person designated by a principal officer or any person designated in a
22 resolution by the corporate board of directors or other similar governing
23 body.

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

27 4. An estate may be disclosed to the personal representative of the
28 estate and to any heir, next of kin or beneficiary under the will of the
29 decedent if the department finds that the heir, next of kin or beneficiary
30 has a material interest which will be affected by the confidential
31 information.

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

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

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

41 B. Confidential information may be disclosed to:

42 1. Any employee of the department whose official duties involve tax
43 administration.

44 2. The office of the attorney general solely for its use in
45 preparation for, or in an investigation that may result in, any proceeding

1 involving tax administration before the department or any other agency or
2 board of this state, or before any grand jury or any state or federal court.

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

9 4. Other state tax officials whose official duties require the
10 disclosure for proper tax administration purposes if the information is
11 sought in connection with an investigation or any other proceeding conducted
12 by the official. Any disclosure is limited to information of a taxpayer who
13 is being investigated or who is a party to a proceeding conducted by the
14 official.

15 5. The following agencies, officials and organizations, if they grant
16 substantially similar privileges to the department for the type of
17 information being sought, pursuant to statute and a written agreement between
18 the department and the foreign country, agency, state, Indian tribe or
19 organization:

20 (a) The United States internal revenue service, alcohol and tobacco
21 tax and trade bureau of the United States treasury, United States bureau of
22 alcohol, tobacco, firearms and explosives of the United States department of
23 justice, United States drug enforcement agency and federal bureau of
24 investigation.

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

26 (c) An organization of states, federation of tax administrators or
27 multistate tax commission that operates an information exchange for tax
28 administration purposes.

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

32 (e) An agency, official or organization of an Indian tribal government
33 with responsibilities comparable to the responsibilities of the agencies,
34 officials or organizations identified in subdivision (a), (b) or (c) of this
35 paragraph.

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

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

40 (a) The processing, storage, transmission, destruction and
41 reproduction of the information.

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

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

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

4 (a) Regarding income tax or withholding tax.

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

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

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

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

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

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

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

21 (c) Fulfilling its annual reporting responsibility pursuant to section
22 41-1511, subsections U and V and section 41-1512, subsections U and V.

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

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

26 15. The department of transportation for its use in administering taxes
27 and surcharges prescribed by title 28.

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

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

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

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

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

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

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

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

4 E. The department, on the request of any person, shall provide the
5 names and addresses of bingo licensees as defined in section 5-401, verify
6 whether or not a person has a privilege license and number, a distributor's
7 license and number or a withholding license and number or disclose the
8 information to be posted on the department's website or otherwise publicly
9 accessible pursuant to section 42-1124, subsection F and section 42-3201,
10 subsection A.

11 F. A department employee, in connection with the official duties
12 relating to any audit, collection activity or civil or criminal
13 investigation, may disclose return information to the extent that disclosure
14 is necessary to obtain information that is not otherwise reasonably
15 available. These official duties include the correct determination of and
16 liability for tax, the amount to be collected or the enforcement of other
17 state tax revenue laws.

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

24 H. Confidential information relating to transaction privilege tax, use
25 tax, severance tax, jet fuel excise and use tax and any other tax collected
26 by the department on behalf of any jurisdiction may be disclosed to any
27 county, city or town tax official if the information relates to a taxpayer
28 who is or may be taxable by the county, city or town or who may be subject to
29 audit by the department pursuant to section 42-6002. Any taxpayer
30 information released by the department to the county, city or town:

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

32 2. May not be disclosed to the public in any manner that does not
33 comply with confidentiality standards established by the department. The
34 county, city or town shall agree in writing with the department that any
35 release of confidential information that violates the confidentiality
36 standards adopted by the department will result in the immediate suspension
37 of any rights of the county, city or town to receive taxpayer information
38 under this subsection.

39 I. The department may disclose statistical information gathered from
40 confidential information if it does not disclose confidential information
41 attributable to any one taxpayer. The department may disclose statistical
42 information gathered from confidential information, even if it discloses
43 confidential information attributable to a taxpayer, to:

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

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

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

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

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

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

19 N. Except as provided in section 42-2002, subsection D, a court may
20 order the department to disclose confidential information pertaining to a
21 party to an action. An order shall be made only upon a showing of good cause
22 and that the party seeking the information has made demand upon the taxpayer
23 for the information.

24 O. This section does not prohibit the disclosure by the department of
25 any information or documents submitted to the department by a bingo licensee.
26 Before disclosing the information the department shall obtain the name and
27 address of the person requesting the information.

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

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

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

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

1 T. The department shall release confidential information as requested
2 by the attorney general for purposes of determining compliance with and
3 enforcing section 44-7101, the master settlement agreement referred to
4 therein and subsequent agreements to which the state is a party that amend or
5 implement the master settlement agreement. Information disclosed under this
6 subsection is limited to luxury tax information relating to tobacco
7 manufacturers, distributors, wholesalers and retailers and information
8 collected by the department pursuant to section 44-7101(2)(j).

9 U. For proceedings before the department, the office of administrative
10 hearings, the board of tax appeals or any state or federal court involving
11 penalties that were assessed against a return preparer, an electronic return
12 preparer or a payroll service company pursuant to section 42-1103.02,
13 42-1125.01 or 43-419, confidential information may be disclosed only before
14 the judge or administrative law judge adjudicating the proceeding, the
15 parties to the proceeding and the parties' representatives in the proceeding
16 prior to its introduction into evidence in the proceeding. The confidential
17 information may be introduced as evidence in the proceeding only if the
18 taxpayer's name, the names of any dependents listed on the return, all social
19 security numbers, the taxpayer's address, the taxpayer's signature and any
20 attachments containing any of the foregoing information are redacted and if
21 either:

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

24 2. Such return or return information relates or may relate to a
25 transactional relationship between a person who is a party to the proceeding
26 and the taxpayer which directly affects the resolution of an issue in the
27 proceeding.

28 3. The method of payment of the taxpayer's withholding tax liability
29 or the method of filing the taxpayer's withholding tax return is an issue for
30 the period.

31 V. The department may disclose to the attorney general confidential
32 information received under section 44-7111 and requested by the attorney
33 general for purposes of determining compliance with and enforcing section
34 44-7111. The department and attorney general shall share with each other the
35 information received under section 44-7111, and may share the information
36 with other federal, state or local agencies only for the purposes of
37 enforcement of section 36-798.06, 44-7101 or 44-7111 or corresponding laws of
38 other states.

39 W. The department may provide the name and address of qualifying
40 hospitals and qualifying health care organizations, as defined in section
41 42-5001, to a business classified and reporting transaction privilege tax
42 under the utilities classification.

43 X. The department may disclose to the attorney general confidential
44 information requested by the attorney general for the purposes of determining
45 compliance with and enforcing section 36-798.06.

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

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

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

13 Z. THE DEPARTMENT MAY PUBLICLY DISCLOSE THE REPORT REQUIRED BY SECTION
14 42-1130.

15 Sec. 5. Effective date

16 Section 42-2003, Arizona Revised Statutes, as amended by Laws 2013,
17 chapter 255, section 2 and this act, is effective from and after December 31,
18 2015.