
ARIZONA DEPARTMENT OF REVENUE

2010 ANNUAL REPORT

Please click on the blue text to access the areas described.

TABLE OF CONTENTS

[Letter to the Governor](#)

DEPARTMENT ORGANIZATION

[Organization & Organization Chart](#)

[Strategic Plan Highlights](#)

[Administrative Services](#)

[Audit](#)

[Collections](#)

[External Services & Special Projects](#)

[Information Technology](#)

[Process Administration](#)

[Property Tax](#)

[Taxpayer Services](#)

[Tax Policy & Research](#)

ARIZONA'S TAXES

[Revenue Summary \(Table 1\)](#)

[Net Revenue to State General Fund \(Table 2\)](#)

[Gross Collections of Audit Assessments and Delinquent Tax \(Table 3\)](#)

[Transaction Privilege, Use and Severance Tax](#)

[Income Tax](#)

[Property Tax](#)

OTHER SOURCES OF REVENUE

[Bingo](#)

[Estate Tax](#)

[Luxury Tax](#)

[Unclaimed Property & Escheated Estates](#)

[Waste Tire Fee](#)

Legislative Summary

[Bills](#)

STATE OF ARIZONA

Department of Revenue



November 15, 2010

Janice K. Brewer
Governor

The Honorable Janice K. Brewer, Governor
State of Arizona
1700 West Washington Street
Phoenix, Arizona 85007

Gale Garriott
Director

Dear Governor Brewer and the Taxpayers of Arizona:

The fiscal crisis continued to dominate the scene at both the local and national levels in fiscal year 2010. The Department of Revenue responded to the challenges of the economy by focusing on its core business processes. These core processes involve basic tax administration such as opening mail, depositing money in the bank, keying tax returns, processing tax refunds and distributing tax payments to cities and counties and the state's general fund.

At the same time, we also recognized the importance of continually improving overall operations. Toward that end, we implemented two major projects in fiscal year 2010 that we believe will favorably impact performance and efficiencies in the future. The Agency Information Management System project will consolidate and centralize agency data into a warehouse where it will serve as the single data repository for all future reporting and analysis. The Imaging project will automate the opening of mail and imaging of tax returns and checks along with electronic deposit of those payments. Both projects will dramatically improve how we do business and serve our taxpayers.

Department of Revenue employees achieved several noteworthy accomplishments in fiscal year 2010 including processing approximately 3.4 million paper and 1.7 million electronic tax returns as well as processing over 36,000 new business licenses. The \$3 million funding received for hiring 72 temporary collectors yielded \$65.3 million in total enforcement revenue for a \$21.78 return on investment. Finally, the Department received an overall customer service survey rating of 4.02 (out of 5.00) from the 870 taxpayers who completed satisfaction surveys. You can review more of our results in the Strategic Plan Highlights section of this report.

Additionally, we, as a Department, continue to focus on our three core goals:

- To increase our return on investment.
- To increase customer and stakeholder satisfaction.
- To increase employee satisfaction.

We are continuing our commitment to excellence and quality. I wish to thank our hard working employees for making this possible. Please contact me if I can provide you with any additional information.

Sincerely,

Gale Garriott
Director

DEPARTMENT ORGANIZATION

Organization & Organization Chart

Strategic Plan Highlights

Administrative Services

Audit

Collections

External Services & Special Projects

Information Technology

Process Administration

Property Tax

Taxpayer Services

Tax Policy & Research

Organization

The mission of the Arizona Department of Revenue is to administer tax laws fairly and efficiently for the people of Arizona. It is our vision that we set the standard for tax services.

Tax laws that fall under the department's purview are primarily in the areas of income, transaction privilege (sales), use, luxury, withholding, property, estate, fiduciary, bingo, and severance.

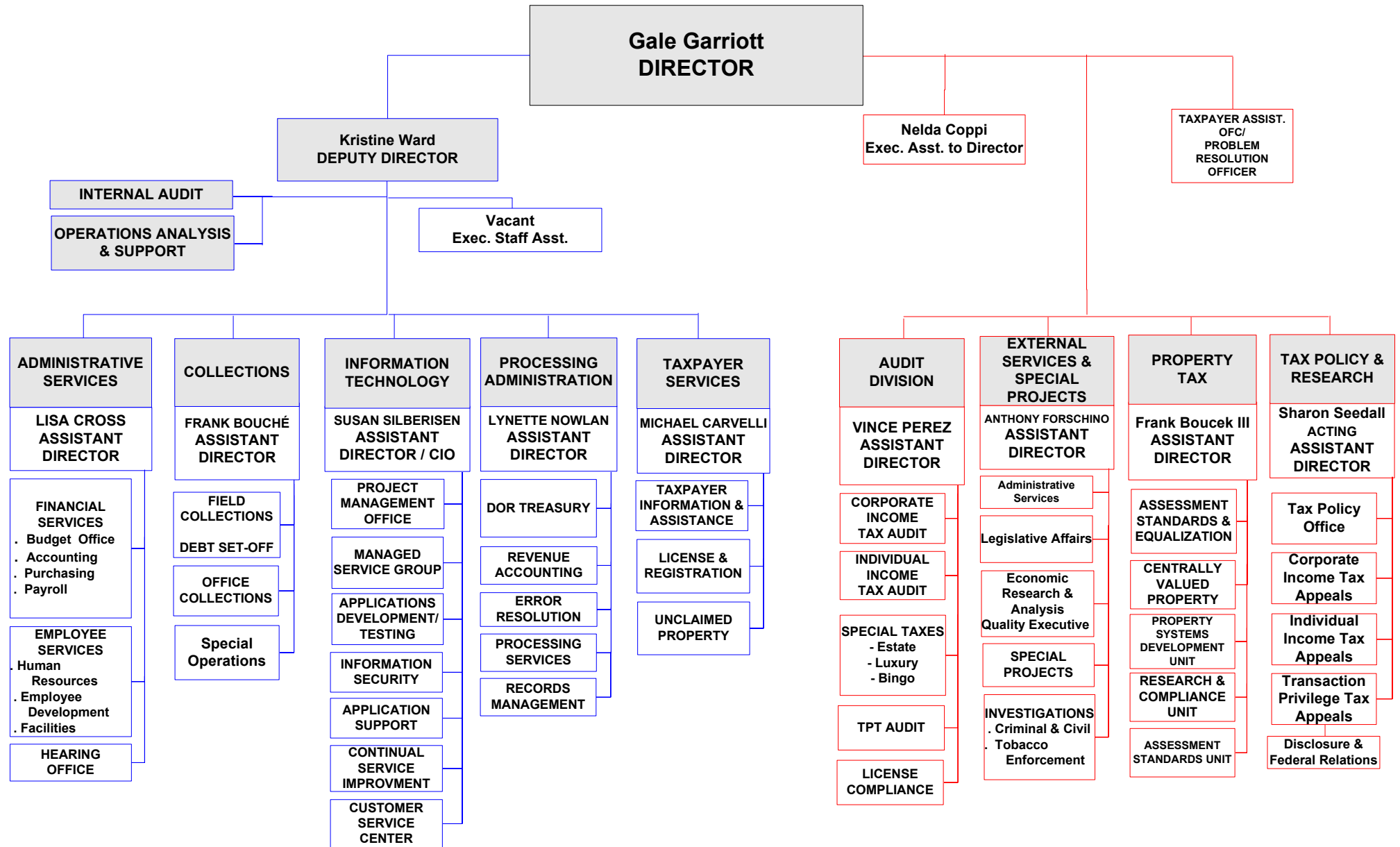
The director is responsible for the direction, operation, and control of the department to ensure that the administration and collection of taxes are cost effective and performed with high quality to meet taxpayers' needs.

Reporting to the director is the deputy director, who assists the director in the day-to-day operations of the department and who serves as acting director

when the director is absent. Also reporting to the director is the problem resolution officer, who acts as the taxpayer advocate within the department. Reporting to both the director and deputy director is the chief internal auditor, who oversees the internal audit team and acts as liaison with external auditors.

The department is organized into nine divisions, each managed by an assistant director. Divisions include: Administrative Services, Audit, Collections, External Services and Special Projects, Information Technology, Process Administration, Property Tax, Taxpayer Services, and Tax Policy and Research. Each division performs specific functions which are integrated to achieve the department's major external objectives of efficient tax collection and processing, timely enforcement of tax laws, and accurate valuation of property.

ARIZONA DEPARTMENT OF REVENUE



Strategic Plan Highlights

MISSION, VISION, VALUES

The Mission Statement of the Department of Revenue is “to administer tax laws fairly and efficiently for the people of Arizona”. This statement of purpose guides our sense of direction, agency actions and decision making.

Our Vision Statement, “setting the standard for tax services”, sets the marker for the kind of agency we want to become and what we hope to achieve.

Our company culture is defined by embracing values that are shared among all employees. Our Values are:

- Innovation – We encourage each other to think creatively.
- Integrity – We strive to exhibit the highest standards of ethics and encourage employees to take a personal responsibility in making decisions based on facts.
- Quality – We strive to do things right the first time and continually look for ways to improve.
- Respect – We believe that all customers and employees should be treated with dignity.
- Results – We choose our strategies based on desired outcomes.
- Teamwork – We believe that the best way to achieve excellence is together.

GOALS AND OBJECTIVES

We continue to focus on our three core goals:

- To maximize our return on investment.
- To maximize customer and stakeholder satisfaction.
- To maximize employee satisfaction.

KEY MEASURE RESULT HIGHLIGHTS

The results of these key measures for fiscal year 2010 follow with a comparison to prior years.

TOTAL GROSS REVENUES COLLECTED

FY09

Transaction Privilege Tax	\$6,573,794,714
Income & Withholding	\$4,060,334,698
Corporate	\$ 749,268,088
Other	\$ 541,826,966
Total	\$ 11,925,224,465

FY10

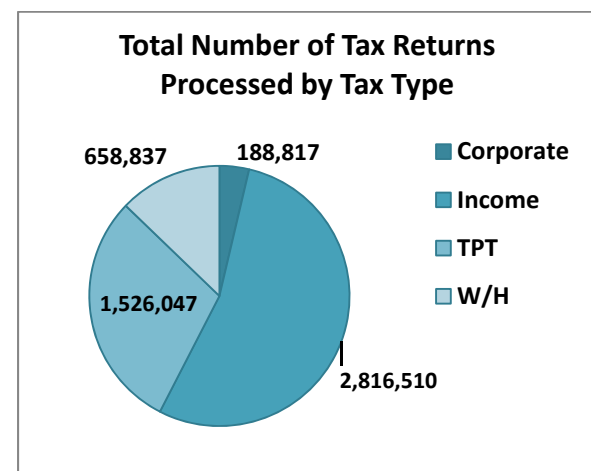
Transaction Privilege Tax	\$5,982,149,321
Income & Withholding	\$3,785,268,107
Corporate	\$ 650,837,762
Other	\$ 589,389,470
Total	\$ 11,007,644,661

Detailed gross revenues are reported under Table 1.

TOTAL NUMBER OF TAX RETURNS PROCESSED BY TAX TYPE

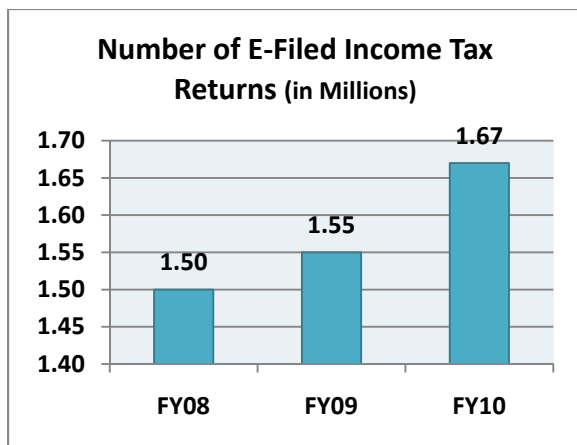
All tax returns are processed through the BRITS system.

Corporate Income Tax	188,817
Individual Income Tax	2,816,510
Transaction Privilege	1,526,047
Withholding	658,837
Total Returns Processed	5,190,211



TOTAL NUMBER OF E-FILED INDIVIDUAL INCOME TAX RETURNS RECEIVED

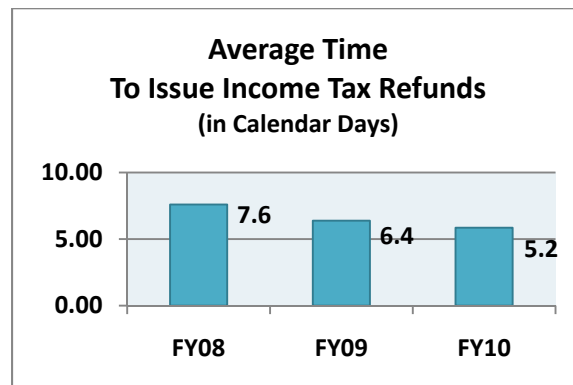
FY08	1.50M
FY09	1.55M
FY10	1.67M



AVERAGE TIME TO ISSUE INCOME TAX REFUNDS

The average time to process an income tax refund is measured in calendar days. The data includes cycle times for both paper and electronic refunds. A portion of those electronic filers also elect to receive their refunds electronically via direct deposit.

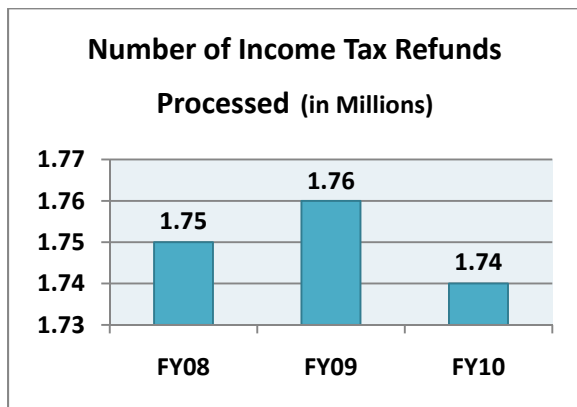
FY08	7.6 days
FY09	6.4 days
FY10	5.2 days



TOTAL NUMBER OF INDIVIDUAL INCOME TAX REFUNDS

The total number of income tax refunds processed includes both electronic direct deposits and paper refund warrants.

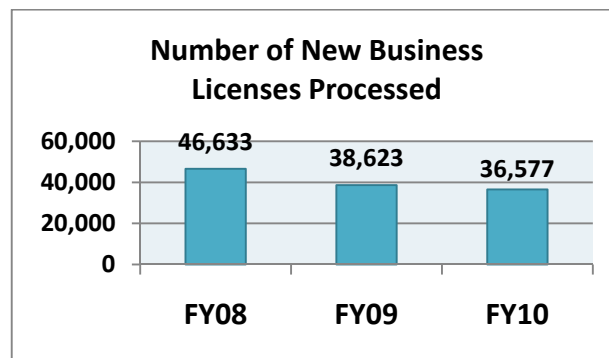
FY08	1,750,370
FY09	1,765,865
FY10	1,742,324



NUMBER OF NEW BUSINESS LICENSES PROCESSED

New business licenses are processed at walk-in counters, through the mail and via on-line services. Prior year reports did not include electronic license counts.

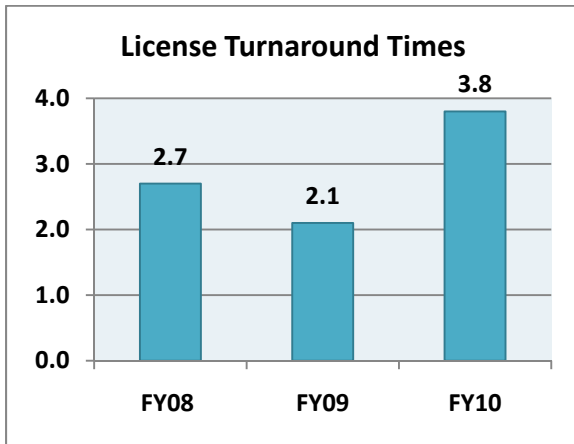
FY08	46,633
FY09	38,623
FY10	36,577



NEW BUSINESS LICENSE TURNAROUND TIME

License turnaround time is defined as the point from when the initial application or request is received via walk-in, mail or electronically and ending when the approved license is mailed to the taxpayer.

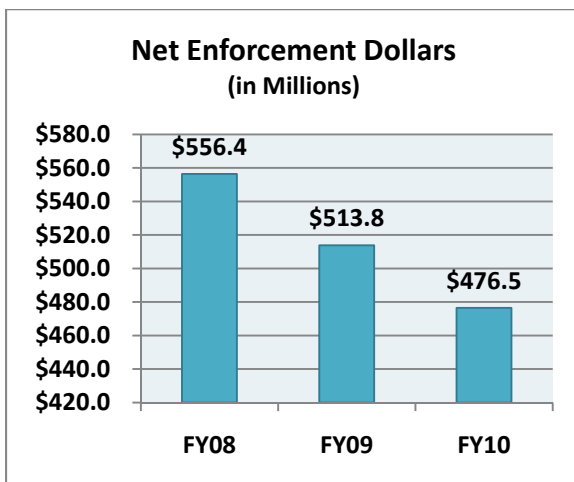
FY08	2.7 days
FY09	2.1 days
FY10	3.8 days



TOTAL NET ENFORCEMENT DOLLARS

Total net enforcement dollars represent all revenue collected by collectors and auditors through their various enforcement programs.

FY08	\$ 556,416,693
FY09	\$ 513,880,714
FY10	\$ 476,471,539



NET ENFORCEMENT REVENUE WITH GENERAL FUND TOTALS

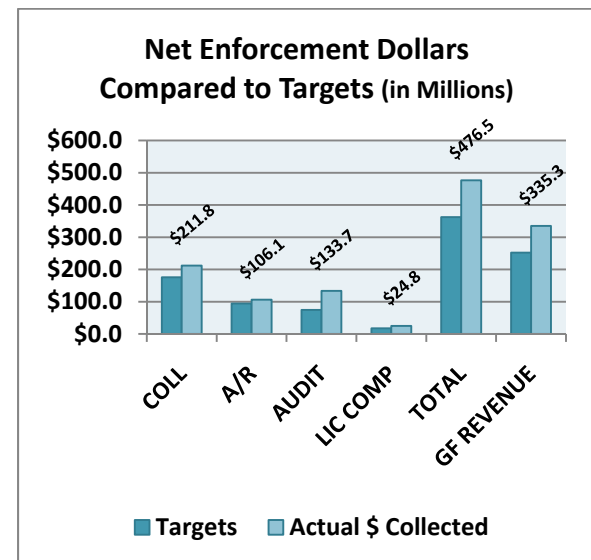
The enforcement program generated results at 131.5% of goal, exceeding its targets in fiscal year 2010. This chart also shows how much of the enforcement revenues went to the General Fund.

FY10 Net Targets

Collections	\$175.7M
Accounts Receivable	\$ 94.5M
All Audit	\$ 74.7M
License Compliance	\$ 17.4M
Total Revenue	\$362.4M
General Fund Revenue	\$252.3M

FY10 Net Actual

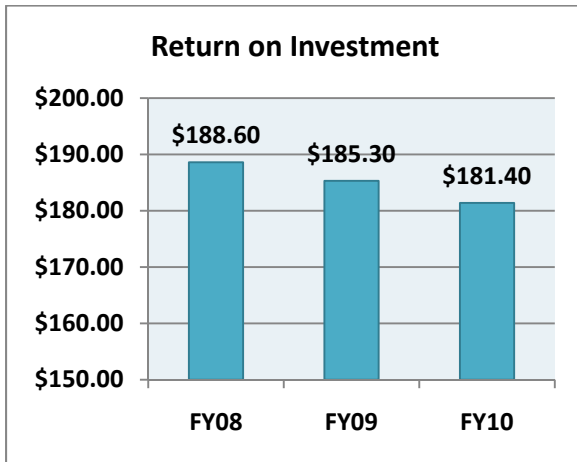
Collections	\$211.8M
Accounts Receivable	\$106.1M
All Audit	\$133.7M
License Compliance	\$ 24.8M
Total Revenue	\$476.5M
General Fund Revenue	\$335.3M



RETURN ON INVESTMENT

Return on investment is calculated by dividing the total number of gross revenue dollars received and processed into the total operating budget. For fiscal year 2010, \$181.40 was produced for each dollar spent in the total DOR budget.

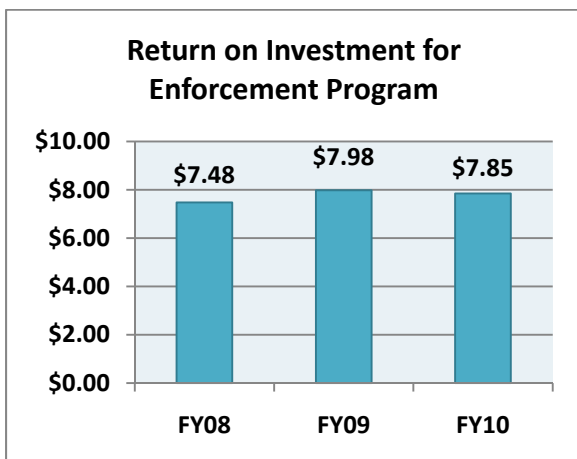
FY08	\$188.68
FY09	\$185.30
FY10	\$181.40



RETURN ON INVESTMENT FOR ENFORCEMENT PROGRAM

The return on investment for the enforcement program is calculated by dividing the total number of net enforcement dollars collected into the total operating budget. For fiscal year 2010, \$7.85 of enforcement revenue was collected for each dollar spent in the total DOR budget.

FY08	\$7.48
FY09	\$7.98
FY10	\$7.85

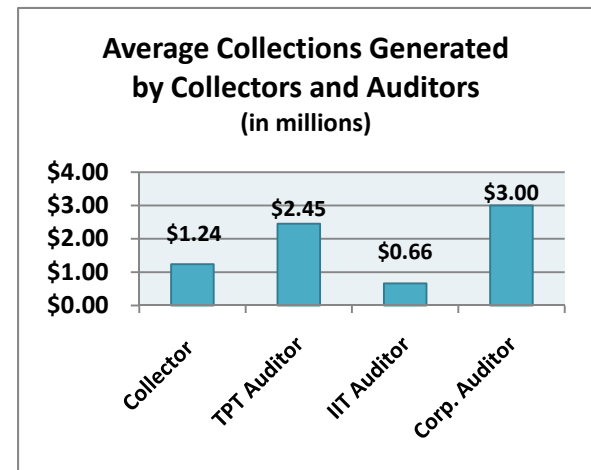


AVERAGE COLLECTOR AND AUDITOR

PRODUCTIVITY

Collectors collected an average of \$1.2 million dollars per collector in FY10. Auditors collected at different levels depending upon the type of audit work they performed; ranging from a little over \$650,000 per income auditor to almost \$3 million per corporate auditor.

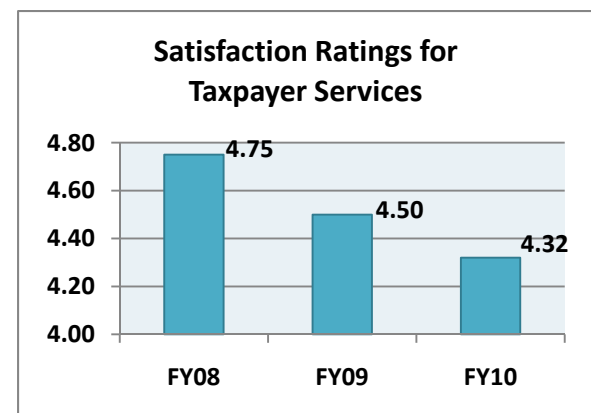
Collector	\$1,238,889
TPT Auditor	\$2,451,703
Individual Income (IIT) Auditor	\$659,251
Corporate Auditor	\$2,998,731



TAXPAYER SATISFACTION RATINGS FOR THE TAXPAYER SERVICES DIVISION

These scores were received from taxpayers rating the services of the employees in the Taxpayer Services division's *Taxpayer Information & Assistance* call center. (All satisfaction ratings tracked at the department have a 1 to 5 scale, 5 being the highest rating.)

FY08	4.75
FY09	4.50
FY10	4.32

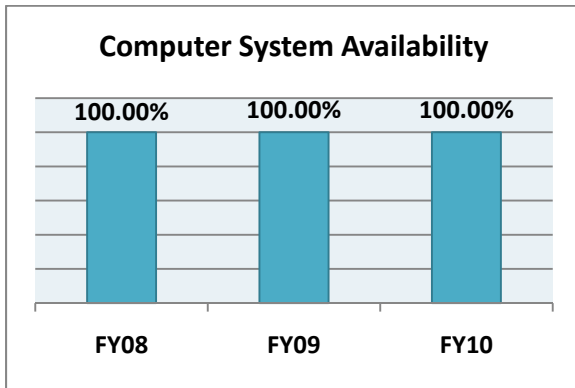


PERCENT OF TIME THE LOCAL AND WIDE AREA NETWORK (LAN/WAN) IS AVAILABLE.

Local and wide area network availability is a good measure for the Information Technology Division to assess their ability as a service provider.

FY08	100.0 %
FY09	100.0 %
FY10	100.0 %

The key measures reported here serve as a general overview of how the department is progressing in line with the strategic plan. The strategic plan keeps us aligned with our Mission, Values, and Vision and our day to day performance as a department.



ADMINISTRATIVE SERVICES

Mission Statement: *To provide support and expertise in delivering excellent services by understanding our products and customers.*

The vision of the Administrative Services Division is to be the leader in innovative and proactive customer support.

The Administrative Services Division is responsible for the oversight of the department's financial and employee services. The division consists of the following sections/units:

Accounting

The Accounting Unit processes accounts payable invoices, provides travel services including employee reimbursement, and oversees the fixed assets inventory.

Budget Office

The Budget Office is responsible for monitoring current year expenditures against the approved budget, coordinating preparation of the department's budget, providing budget information and analysis to the Director and the department's Leadership Team.

Facilities Management

The Facilities Management Section coordinates building facility maintenance, remodeling office areas at the department's four buildings and coordinates tenant improvements to the buildings in cooperation with ADOA or the landlord. Facilities Management receives and logs all goods and supplies purchased by the department; manages building security access and the security guards. The section oversees safety issues such as fire drills, safety inspections, and interaction with the State Fire Marshall.

Hearing Office

The Hearing Office holds hearings and issues written decisions on protests of department assessments and refund denials relating to income tax, withholding tax and estate tax.

Human Resources

The Human Resources Unit is responsible for administering personnel activities for the department. This includes consultations with management concerning employee relations and

discipline, classifications of positions, recruitment, and staffing. The Human Resources Unit is also responsible for processing all personnel actions through the State's Personnel System (HRIS), new employee orientation, new employee training, employee benefits program, and interpreting ADOA Personnel rules and policies that govern personnel within the ADOA Personnel System. The unit also oversees the Affirmative Action/Equal Opportunity responsibilities, Family Medical Leave Act and Americans with Disabilities issues.

Payroll

The Payroll Unit is responsible for oversight of the department's employee payroll, which includes accurate tracking of hours worked, leave taken and payroll deductions through HRIS. The unit also oversees risk management issues.

Purchasing

The Purchasing Unit is responsible for contracting and purchasing all goods and services required by the Department. The unit oversees all contract and maintenance agreements and is the program administration area for the State Purchasing Card Program (P-Card).

HIGHLIGHTS IN FISCAL YEAR 2010

- The Accounting Unit processed 99% of all invoices within 30 days.
- Facilities responded to 98% of building maintenance work orders within 24 hours.
- Completion of Phase II of the elevator remodel project which involved the total renovation of the four passenger elevators at the Phoenix building.
- Installation of new magnetic locks on all the secured doors throughout the Phoenix building.
- Installation of an upgraded security camera System in the Phoenix building.
- Installation of a camera security system in the East Valley office.
- The Hearing Office resolved 220 cases during the fiscal year.

AUDIT

Mission Statement: *To promote voluntary compliance by auditing, identifying common areas of non-compliance and educating taxpayers.*

The Audit Division consists of the Corporate Income Tax Audit, Individual Income Tax Audit, Transaction Privilege and Use Tax Audit, Special Taxes, and Processing and Information Technology sections. We carry out our mission statement with an emphasis on treating the diverse taxpayer base fairly, consistently and respectfully.

Our staff members are professional, courteous employees whose expertise reflect in their performance and achievement of audit goals. Training and educating our employees is instrumental in developing skilled auditors. We take pride in our accomplishments and consistently strive to be more efficient, exceed expectations and be viewed as a model audit program.

Corporate Income Tax (CIT) Audit

The section is comprised of the Field Audit, Office Audit and Tax Shelter units.

The Field Audit Unit conducts the majority of its audits outside of Arizona at the corporate headquarters where the corporation's books and records are maintained.

The Office Audit Unit focuses its audit work on desk audit programs such as analyzing, verifying, and processing of amended returns and refund claims, tax clearance letters, verification of net operating losses, including audits based upon federal revenue agent reports. The Office Audit Unit was particularly affected by the reduction in force that occurred in February 2009. However, additional staff has been hired and we expect this Unit to become even more productive in the near future.

The Tax Shelter Unit, working with the Internal Revenue Service, other states and tax administration organizations identifies potential offenders who have utilized abusive tax schemes in order to avoid paying state income tax.

Individual Income Tax (IIT) Audit

Providing quality service is a primary goal of the Individual Income Tax Audit Section. The audit process is viewed as an educational and cooperative

process that helps to improve voluntary compliance by ensuring taxpayers report and pay the correct amount of tax due. While most taxpayers are confused and overwhelmed by the audit process, the Section has placed an emphasis on treating taxpayers in a courteous and professional manner with as little disruption to the taxpayers as possible.

Using all available data sources in the Audit process allows for a more complete file to be created on audit cases. This allows the auditor to work in a more efficient and expedient manner. Receiving electronic data from the Internal Revenue Service allows the Department to match with all other Department data and information on the taxpayer and tax year involved without requiring manual research by our clerical support staff. Most of the audit files now contain all information that an auditor would need in order to process the audit and make all necessary adjustments. This results in an audit being issued in a timelier manner since manual clerical support research is not required.

Special Taxes (ST)

Special Taxes is comprised of four separate units: Bingo, Estate Tax, Luxury Tax, and Nexus.

The Bingo and Estate Tax Unit issues licenses, processes returns and conducts audit examinations of bingo licensees. The staff investigates complaints and violations of bingo laws, as well as conducts workshops and consultations with bingo licensees. The unit also processes estate tax returns and issues Arizona Income Tax Certificates required by the probate court to close an estate.

The Luxury Tax staff administers the taxes imposed on tobacco distributors and liquor wholesalers. This includes the licensing of tobacco distributors and processing of tax returns for both tobacco and liquor, as well as performing distributor audits and collecting taxes from consumers who purchase tobacco products via the internet or through mail order. The unit also supports the Office of the Attorney General in administration of the Tobacco Master Settlement Agreement.

The Nexus Unit identifies companies and individuals who have an obligation to file tax returns with the state of Arizona, including, but not limited to, corporate income tax, transaction privilege/use tax, and individual income tax. Nexus

is Latin, from *nectere* to bind. For tax purposes, it describes the connection (or link) that an out of state company/individual has within a taxing jurisdiction. The unit is also responsible for maintaining the department's Voluntary Disclosure Program. This program facilitates the process for taxpayers, who have determined that they have an obligation to come into compliance with their filing requirement(s) with the department.

Transaction Privilege and Use Tax (TPT) Audit

The Transaction Privilege and Use Tax Audit Section is comprised of Field Audit and the Compliance Unit.

The Field Audit Unit conducts the majority of its audits inside Arizona but does out-of-state audits as well. The determining factor is the location of the taxpayer's books and records.

The Compliance Unit consists of License Compliance and Desk Audit. The License Compliance Unit continues to prove to be a dynamic and successful unit. The staff can be counted on to assist taxpayers to ensure tax compliance. License Compliance officers do both office research and field work. Their goal is to provide the best customer service possible, seek out those businesses that are not licensed for transaction privilege and/or withholding tax and provide education and knowledge, so taxpayers across the state can voluntarily comply with the tax laws.

The Field Unit is responsible for analyzing and processing taxpayers field audits and refunds requested by taxpayers.

The Desk Audit Unit mainly works on projects dealing with use tax liabilities. The information processed in this unit is from various sources including governmental agencies.

HIGHLIGHTS IN FISCAL YEAR 2010

- The CIT Field Audit Unit assessed approximately \$51 million and collected approximately \$34 million.

- The CIT Office Audit Unit assessed approximately \$2.3 million and collected approximately \$1.5 million.
- The CIT Tax Shelter Unit assessed approximately \$1.7 million and collected approximately \$1.5 million.
- IIT completed just over 36,300 audits for total assessments of \$27.1 million and collected \$15.1 million in additional revenue.
- IIT completed the fiscal year with a customer service survey rating average of 4.23, on a scale of 1 to 5 with 5 being excellent.
- Initial audit assessment quality continues to improve. For FY10, over 89% of initial audit assessments required no changes. The goal is to achieve a rate of 84%.
- The Nexus Unit brought 329 businesses into compliance and collected over \$36.3 million.
- TPT Audit Section completed the fiscal year with a customer service survey rating average of 4.70, on a scale of 1 to 5 with 5 being excellent.
- The TPT Field Audit Unit assessed over \$200 million and collected in excess of \$41 million in gross revenue.
- The TPT License Compliance Unit licensed 756 new businesses and collected over \$28 million.
- The TPT Desk Audit Unit licensed 899 new businesses and collected over \$12 million.
- The Information Technology Section completed the closure of the ESKORT Project. The Section worked diligently to update and enhance the audit applications for the Division, while also ensuring all audit selection routines were updated. Additionally, the Section ensured that the legislative mandates were programmed timely.

COLLECTIONS

Mission Statement: *To collect delinquent tax liabilities in a fair manner, to promote voluntary compliance through the impartial enforcement of tax laws, and to provide efficient service to the taxpayers of this state.*

Office Collections

After the Accounts Receivable system has completed the prescribed billing cycle, cases are referred to Office Collections. Delinquencies (business accounts with returns that have not been filed) are also worked in this section. Here, collectors attempt to reach account resolution via the telephone and with targeted mailings. Office Collections uses an Automatic Call Distribution (ACD) system to process and handle incoming calls. This system has an Interactive Voice Response (IVR) module that provides automated responses for some basic collections questions such as account balances.

Office Collectors can request that liens and levies be filed and can negotiate installment payment plans. If they are not able to resolve a case, it is referred to Field Collections or Special Operation for further action.

Office collections continue to accept payments over the phone for individual income tax. This includes payments through checking accounts, credit cards, and some debit cards (Visa® and MasterCard®).

Field Collections

If an Office Collector determines that a case cannot be resolved by phone and that a field (on-site) approach is warranted, the case is referred to the Field Collections section.

Field collectors are assigned a territory (by ZIP code) and are responsible for all types of tax cases (income, business, withholding, etc.) in the

territory. Field collectors use a combination of telephone and field visits to effect closure. In addition to recommending lien and levy action, Field collectors may subpoena records, investigate Offers-in-Compromise, conduct seizures and write off cases if they are determined to be uncollectible.

The objective in Field Collections is to reach closure in the least intrusive manner. Seizure actions are only used as a last resort after all other more reasonable actions have failed.

Administrative Support

Provides all support functions for the division: payroll, mail, maintenance on collection accounts, filing and releasing of tax liens and providing Certificates of Compliance.

Debt Set-Off

The area is responsible for the offset of income tax refunds to pay other delinquent taxes and debts owed to other state agencies or courts. The process involves matching data received from other agencies against refund data, notifying participating agencies and taxpayers when matches are made, validating the information, and paying the claims when warranted. The unit's duties also include qualifying agencies and courts for participation in the program and resolving discrepancies as necessary to protect the rights of both taxpayers and claimants.

HIGHLIGHTS IN FISCAL YEAR 2010

- The division was responsible for the generation of total revenues of over \$212 million, a \$36 million (21%) increase over the target of \$175.7 million for the year.

EXTERNAL SERVICES & SPECIAL PROJECTS

Criminal and Civil Investigations

The Criminal and Civil Investigations Section is comprised of the Tobacco Enforcement Unit and the Criminal Investigations Unit. The Tobacco Enforcement Unit enforces the tobacco luxury taxes by educating retailers and wholesale suppliers, inspecting tobacco products for compliance with tax stamp requirements and seizing products that are not being sold legally in Arizona. The unit also investigates criminal activity, such as the importation and sale of counterfeit tobacco products. The Criminal Investigations Unit investigates tax evasion, improper or fraudulent tax activity by both taxpayers and preparers, and other related issues. Both units work with other law enforcement organizations to prosecute tax-related crimes.

Forms and Publications

This unit is responsible for design and printing of all official department forms, except Property Tax related forms, and review and approval of all substitute forms used by software vendors in preparing Arizona tax returns. This unit is also responsible for the production of informational publications.

Legislative Services Team

This team represents the department at the Legislature. The team coordinates the analysis, research and testimony of tax legislation, reads, analyzes, and tracks bills through the legislative process; coordinates implementation of legislation after passage. They also act as the liaison between legislators and the department including handling constituent issues for legislators and the Governor's office, monitors federal law changes.

Office of Economic Research and Analysis

The Office of Economic Research & Analysis provides statistical analysis and research services to the department, the Governor's Office, the Legislature and other political subdivisions as well as the private sector. Fiscal impacts, when possible, and analysis are provided for proposals of changes to taxes administered by the department. This Office provides forecasts of general fund revenues from the major three tax types for consideration in the Governor's budget proposal. Staff support is provided for the Economic Estimates Commission, the Debt Oversight Commission and the Property Tax Oversight Commission. An individual income

tax simulation model is maintained to analyze proposed changes to Arizona's individual income tax. The department's annual report is prepared by this Office, as well as the Tax Expenditure Report and the Report on Bonded Indebtedness. Other reports are prepared throughout the year providing statistics and information on various tax types, including the monthly publication Tax Facts.

The Quality Office is also a part of the Office of Economic Research and Analysis. The Quality Office coordinates the strategic planning efforts of the department with programs focusing on agency-wide quality initiatives. Included in these initiatives are customer satisfaction survey improvements, feedback and analysis and benchmarking studies.

Public Information Officer

This position is the official spokesperson for the department, facilitates the flow of information to the public, and responds to all media contacts and inquiries.

HIGHLIGHTS IN FISCAL YEAR 2010

- The Criminal Investigations and Tobacco Enforcement Units received restitution payments totaling \$31,664 during fiscal year 2010. This total is a combination of both financial-related and tobacco-related prosecutions wherein the suspect(s) were ordered to pay restitution. Fines assessed by the court for both financial-related and tobacco-related cases totaled \$21,605.
- The Financial Investigations Unit has stopped/recouped \$1,702,675 in fraudulent refunds since January 1, 2010.
- The Tobacco Enforcement Unit issued sixty-nine criminal citations during fiscal year 2010. Many of the citations are for knowingly selling tobacco on which no taxes have been paid or knowingly selling cigarettes without tax stamps. Others are for failing to produce tobacco invoices as required during an inspection.
- The Tobacco Enforcement Unit conducted a total of 1,133 retail inspections in addition to 161 distributor inspections during fiscal year 2010. Tobacco agents seized 255,966 total

cigarette sticks (220,347 were non-Arizona directory compliant) and 422,723 cigars.

- The Office of Economic Research and Analysis accomplished several things over the fiscal year. These include:

- ✓ Oversaw the Tax Credit for the Working Poor program by recertifying 335 self-certified charities as Qualifying Charitable Organizations as well as approving 44 new requests during fiscal year 2010.
- ✓ Developed procedures and conducted six training sessions state-wide on behalf of the Property Tax Oversight Commission for the implementation of secondary property tax levy limits for 155 fire districts.
- ✓ Developed new individual withholding tables and assisted in producing an information booklet for employers.
- Tested the programming changes and coordinated the notification to taxpayers for the implementation of the temporary 1% TPT increase.
- ✓ Processed 74 approvals for the Corporate Tuition Tax Credit.

- ✓ Processed 86 applications for eligibility for disabled/displaced scholarships provided by school tuition organizations and recorded 213 scholarship awards.
 - ✓ Processed 238 claims for water conservation credits.
 - ✓ Administered the Health Insurance Premium Tax Credit by processing 816 Certificates of Eligibility to individual and small business applicants and issuing 132 Credit Certificates to health insurance companies.
 - ✓ Compiled and published bonded indebtedness and lease purchase information for 15 counties, 11 community colleges, 90 cities and towns, 222 school districts, 553 special districts, and 114 state agencies, universities and other districts.
 - ✓ Calculated the monthly funds transfers to the Sports and Tourism Authority and the Rio Nuevo District.
-

INFORMATION TECHNOLOGY

Mission Statement: *The IT Division provides the Department of Revenue (DOR) with an integrated technology environment and automated business processes which allow for timely, efficient, and secure transfer of information to employees, taxpayers, and other agencies.*

Application Support

Application Support provides maintenance services for the BRITS Taxpayer Administration System (TAS), BRITS feeder applications like Data Entry, eFile, 2D Barcode, AZTaxes, all mainframe applications (including the Property application) and the Reporting Function. Significant activities include working with Production Control to schedule production runs, supporting production processes (such as the monthly TPT Close) and resolving defects either on an emergency basis or as a part of packaged releases. Defects are completed based on user priority. Application Support works closely with Customer Service in responding to customer requests for support as well as software release management, implementation and performance enhancement; Business Analysis & Testing for requirements definition and testing; and Information Security for compliance.

Business Analysis & Testing

The Business Analysis & Testing (BAT) group acts as a liaison between IT and the functional areas within DOR (Collections, Audit, Taxpayer Services, etc). BAT administers all System Investigation Reports (SIRs) and ensures requests are properly tracked and prioritized. BAT is responsible for establishing policies, standards, methodologies, and guidelines pertaining to business requirements gathering and application testing. BAT works closely with the functional areas to better understand their business and IT requirements and seek ways to improve efficiencies through the use of application technology. BAT is responsible for testing all software applications prior to deployment, which includes implementing changes or fixes to new and existing applications.

Operations and Security

The Operations and Security team consists of Customer Service Center, Database Administration, Information Security, Server and Network Support, Production Control, and Systems Integration and

support.

The Customer Service Center is responsible for supporting PC's, laptops, printers, PDA's, phones, and other computer and telecommunications devices for the agency. In order to provide support for the agency, this unit has been broken up into two groups (Help Desk and Desktop Support).

The Help Desk plays a key role in providing a single point of contact for the efficient resolution and escalation of technical support problems and requests for the agency. This area is also responsible for delivering technical support with outstanding customer service, satisfaction, and timeliness within the agency guidelines.

The Desktop Support Team plays a critical role in making sure that all employees have the required hardware, software, and peripherals necessary to perform their job functions as well as providing the technical support to keep them up and running.

The Database Administration team supports various activities in database administration which include ensuring availability; performing backup/recovery; capacity management; maintenance; database performance diagnostics, tuning and monitoring; migrations to production; upgrades to ensure software/vendor compliance; and job scheduling. The databases supported are Oracle (TAS), SQL Server (AZTAXES, e-File, Cashier), SAND (Executive Dashboard), and Teradata (for the Audit division). The team provides RACF system support. The team also handles Tier 3 support for problem management.

The Information Security unit is a centralized unit which ensures a methodically sound program is in place throughout DOR, with the primary focus of protecting the information and systems based upon governance and security best practices. The DOR InfoSec Program includes the following functional areas:

- Access and Authentication
- Policy and Compliance
- Monitoring Events and Incident Response
- Employee Awareness

The Server and Network Support team is responsible for the support and management of the

hardware and operations systems for all servers, storage systems, backup/archive, email, network, and Virtual Private Network (VPN). This team has primary hardware and operating system oversight of the Servers and Storage located with our external vendor. This team is the Tier 3 support for all IT teams. This team works closely with Information Security and the Project Management Office to insure that new development is supportable.

Production Control's primary objective is ensuring batch scheduling and processing on both the mainframe and BRITS systems are completed.

The Systems Integration and Support team is responsible for support, management and monitoring of client server (BRITS) technical infrastructure, Oracle Application/Reports/Web Server environment, mid-tier client server applications and overall BRITS system interfaces and integration. This team also directly supports BizTalk/BUFT management as well as applications that maintain the AZTaxes website. In addition, this team manages AZTaxes and AZDOR.gov web code migrations to insure usability and availability for taxpayers. This team works closely with Database Administration, Application Support, Server and Network Support, and Customer Service Center.

Business Solutions Group

The Business Solutions Group (BSG) is responsible for information technology, project management and software development. During fiscal year 2010, this group was formed by combining the Project Management Office and Software Development team and adding a new team of Systems Analysts. This consolidated group was created in order to better meet the need for system design, software development, and project management services within the department.

BSG is made up of three teams:

Project Management Office (PMO). The PMO is responsible for establishing, maintaining, and enforcing project management processes, procedures, and standards for IT projects. The PMO was established to better determine best practices in project methodology and standards, while actively

managing a variety of projects and programs.

Systems Analysts and Design. The purpose of this team of business applications architects is to provide system design and technology expertise for the design of effective and efficient solutions to business requirements.

Software Development. This team is responsible for building quality software to meet legislative mandates, and to provide on-going enhancements to improve efficiency of the department's information systems.

The primary goals of the Business Solutions Group are:

- Promote excellence in Project Management for all IT projects, both by supplying experienced and qualified Project Managers and by providing guidance to project team members;
- Design and development high quality, cost effective, sustainable software solutions that utilize appropriate technical standards;
- Look for opportunities to continually improve processes, tools, and standards in order to provide improved service;
- Support the mission, vision and goals of the department.

HIGHLIGHTS IN FISCAL YEAR 2010

- The Business Solutions team has had significant success with the following:
 - o Successfully completed infrastructure upgrade projects while minimizing impact to operations.
 - o Redesigned and modernized external facing websites: azdor.gov, AZTaxes.gov, and AZUnclaimed.gov
 - o Successfully addressed critical legislative mandates from the legislative session within 90 days of Governor's signing into law.

PROCESS ADMINISTRATION

Mission Statement: *To provide quality service by processing all tax returns and payments accurately and timely for Arizona taxpayers.*

The Process Administration Division serves as the catalyst and cornerstone of the Department of Revenue. The division is responsible for the initial processing of all tax returns, remittances, supporting documentation, and correspondence received by the department. This includes opening, sorting, and reviewing all returns and accompanying mail, performing archival capture functions, remittance deposit preparation, and data entry into the computer systems. These functions are performed using both manual input of documents and imaging technologies. The division processes over five million returns and remittances each year. Individual unit roles and responsibilities are defined below.

Processing Services

Processing Services does much of the heavy lifting as a whole and is responsible for the opening, batching and processing of tax documents for the largest four tax types: Individual Income, Transaction Privilege Tax, Withholding, and Corporate. Mail Services is responsible for the receipt, sorting and delivery of tax documents, payments and correspondence received by the agency. Processing is responsible for batching documents and identifying any documents missing proper information prior to data being entered for all taxes.

DOR Treasury

Treasury's helping hands ensure efficiency and are responsible for processing taxpayer payments, entering taxpayer data, keying stray payments into the cashiering system, and researching problem payments. Treasury consists of three integrated units: Remittance, Data Entry, and Payment Stray.

Error Resolution

Error Resolution, which includes the Review unit, are the problem solvers who are responsible for ensuring accuracy in the processing of returns and payments for the largest four tax types.

Revenue Accounting

Revenue Accounting is the financial eye of the Division and responsible for providing monetary services for the Department. This includes the reconciliation and reporting of tax dollars deposited to the State's financial institution, revenue and taxpayer accounting services, including accounts receivable management and refund/warrant management.

Records Management

Records Management serves as the document gatekeeper and is responsible for the filing, maintaining, and storing of all tax documents. Records Management also provides access to tax returns and license applications within the department.

HIGHLIGHTS IN FISCAL YEAR 2010

- The Process Administration Division was not immune to the effects of the budget crisis and challenges of the economy. Facing the obstacles head on, heavy investment was made in principles of lean manufacturing as streamlining and efficiencies were sought at every turn. Division leadership is proud to declare that through the collective team efforts of all employees, turnaround time improvements were achieved in every measured area. In addition to doing more with less, the processing of more than 1.7 million tax documents formerly outsourced were brought in-house and completed for the first time within the existing system. The final results from the combined efficiencies resulted in savings in labor costs and the lessening of refund turnaround times.
- 5.2 million tax documents were received and processed for the largest four tax types.
- 4.0 million payments were received, processed and deposited with an average deposit time of 1.21 days.
- 1.7 million refunds were issued to individual income taxpayers.

PROPERTY TAX

MISSION STATEMENT: *To ensure fair and uniform property values for Arizona taxpayers.* The vision of the Property Tax Division is to deliver excellent property tax services.

The Property Tax Division is responsible for general oversight of the county assessors in the administration of Arizona's property tax laws and for the valuation of complex, geographically disbursed properties. Functional areas of the Property Tax Division and primary responsibilities of each are discussed below.

Centrally Valued Properties

The Centrally Valued Properties Team annually determines the full cash value of all utilities, railroads, mines and other complex or geographically dispersed properties (see page 83 for a list of the industries the department values). Values determined for such properties, with the exception of flight property and private rail cars, are transmitted to the appropriate county treasurers for collection of property taxes. The department collects taxes levied on flight property and private rail cars and deposits the taxes with the State Treasurer. In addition, the team assists county assessors with maintaining and updating a standardized cadastral mapping system. The team prepares tax area code maps that depict boundaries of taxing jurisdictions authorized to levy property taxes.

Assessment Standards and Training

The Assessment Standards and Training Team oversees and ensures the application of uniform appraisal methods and techniques used by county assessors to determine the value of locally assessed property. The team also presents technical workshops to county assessors and provides an appraiser/assessor certification program for appraisal staff.

Personal Property

The Personal Property Team oversees the development and application of personal property valuation procedures and manuals, and provides technical workshops to county personnel.

Construction Cost

The Construction Cost Team maintains the computerized Construction Cost Valuation System and provides it for use by all county assessors to

value property by the cost approach. The team also provides training for county appraisers in the use of the Construction Cost Valuation System.

Central Information Services

The Central Information Services Team coordinates the data processing services necessary to support property tax administration for six Arizona counties. The support services provided to the counties include management of automated systems used in the preparation of assessment and tax rolls, the preparation of valuation abstracts, property tax notices of value and statements of taxes due.

Computer Assisted Valuation

The Computer-Assisted Mass Appraisal Team develops sales-based models for residential properties and maintains and assists county assessors with the Land Valuation System and the Sales Tracking System.

Manuals and Forms

The Manuals and Forms Team is responsible for producing and updating manuals, guidelines, and forms prescribed for use in the administration of the property tax system. The team also reviews legislative enactments and changes to existing property tax statutes, and prepares an Extract of the Title 42 of Property Tax Statutes.

Equalization

The Equalization Team is responsible for annually measuring county assessor performance for compliance with established full cash/market value standards. The team conducts sales ratio studies throughout the yearly valuation cycle to assist counties in complying with valuation standards.

HIGHLIGHTS IN FISCAL YEAR 2010

- The Centrally Valued Property Team valued approximately 800 taxpayers, totaling \$33 billion in full cash value. There were 37 taxpayers (less than 5%) who appealed their values to the department in the first level of appeal; 24 taxpayers went on to file petitions with the State Board of Equalization. Of those 24 petitions, 5 were withdrawn; 3 were settled, and 16 were heard before the Board. The Board decided in favor of the department in all 16

cases. The department also prevailed on its longstanding (2003 through 2007) litigation with Level 3 (a telecommunications company) when the Arizona Supreme Court denied Level 3's petition for review in March of 2010. There were nine new cases filed in tax court for the 2010 tax year.

- The Assessment Standards Team traveled to meet with nine County Assessors and their staff during the fiscal year. The agenda for each meeting included statewide issues regarding property valuation and classification as well as appraiser training, certification and continuing education issues affecting each county. Each agenda included specific concerns unique to an individual county. Additionally, the Assessment Standards Unit conducted six appraiser Income Workshops throughout the state this fiscal year.
- The Manuals and Forms Team completed a review and update of approximately 40 forms which represents 50 percent of the total forms inventory. All eight income and expense reporting forms used in the appeals process were reworked and updated to make them fillable and calculable. Thirty-four of the Division's forms are now available on the

department's web site. All Property Tax Division forms are available in PDF format and can be written to a CD for distribution.

- The Training and Certification Team in the Assessment Standards Unit reviewed and revised course materials used in the Appraiser Training and Certification program during this fiscal year. The revisions incorporated a more thorough history of the property tax system in Arizona, additional property appraisal theory, and a modernization of the Cost Approach methodologies to reflect updated industry standards.
- The Equalization Team received information on over 136,000 Arizona real estate sale transactions, a reduction of 20,000 sales from FY 2010. Due to the reduced volume of sales, the team developed and implemented alternative methods of analysis to supplement standard methodology. Using both traditional and revised tools, the Team worked with each county assessor to maximize the number of markets which could be brought into compliance with equalization standards.

TAXPAYER SERVICES

Mission Statement: *To meet the needs of our customers in a professional manner, with the highest standards of integrity.*

2010 brought many challenges and opportunities to Taxpayer Services. Specifically, furloughs and the Reduction in Force had a serious impact on the level of service offered to taxpayers. Overall, the Division effectively lost more than 40% of its workforce in fiscal year 2009 yet still delivered exceptional levels of service to millions of taxpayers, enrolled agents, CPA's and other constituents.

License and Registration (L & R)

The License and Registration Section processes applications for transaction privilege, use, severance, and withholding Taxes. The unit also issues transaction privilege tax licenses for program cities that participate in the state tax collection program. They also administer the taxpayer bonding program that protects the state against potential losses of tax revenue from contracting businesses and other high risk taxpayers.

The section oversees and maintains the database of licensed businesses. They provide assistance to the public through dissemination of licensing information, publications, and referrals as needed. The section handles the over-the-counter sales of tobacco stamps and provides cashiering services at each of the department's locations.

Taxpayer Information and Assistance (TIA)

This vital hub of employees provide tax information to individual income and business customers, corporate officers, tax practitioners, enrolled agents and other authorized representatives.

TIA is responsible for responding to customer inquiries concerning business and income taxes administered by the department. The staff answers questions and offers resolution for account disputes in relation to billing, taxability, business registration, filing and payment. The various avenues of communication come to the department through the telephone call center, webmail, written correspondence and our walk-in offices at each of the department's locations.

Thanks to the clerical support team, thousands of Power of Attorney and Disclosure forms are

processed every year. This is quite a task considering hundreds may be received from a single payroll company in one day. In addition to other duties, this team is responsible for providing guidance for walk-in customers at the lobby reception desk in our Phoenix office.

Another important part of TIA is the Penalty Review Unit (PRU). This unit is responsible for reviewing and making decisions on requests for abatement of penalties for non-audit periods. In the event of a subsequent hearing in cases where abatement was denied, a representative from PRU will attend the hearing to present their case substantiating their decision.

Unclaimed Property

This program is administered to return abandoned property such as contents of safe deposit boxes, dormant bank accounts, insurance policy proceeds, security deposits, unclaimed stocks, bonds, and mutual fund accounts, and all types of uncashed checks to rightful owners. Through a variety of methods, the unclaimed property staff attempts to locate the owners and processes claims in order to return the property. The staff facilitates the reporting and remitting of abandoned property from businesses, financial institutions, and other entities that hold the property. The unit is also responsible for promoting compliance with the Unclaimed Property Statutes through outreach and audit.

HIGHLIGHTS IN FISCAL YEAR 2010

- The License & Registration (L&R) team processed 36,577 applications with an impressive average of 3.8 days. The applications were a part of the nearly 138,000 total documents processed by the section. Nearly 44% of all license applications are now done online. L&R staff processed over 3,000 taxpayer bonds and collected over \$110,000 in delinquencies.
- During the year, L&R also assisted almost 13,000 customers over the counter and cashiered over \$418 million in payments.
- Taxpayer Information and Assistance had a successful fiscal year 2010 as evidenced by the accomplishments listed below:

- ✓ Calls offered for the year was 371,956, a decrease of nearly 80,000 calls from fiscal year 2009, or roughly 6,500 calls per month.
- ✓ We answered 281,623 calls, a decrease of over 33,000 calls per month. The percentage of calls answered for the year was 76%, an increase of 6% achieved last fiscal year.
- ✓ Correspondence cases worked were 15,678, down from 23,021 the prior year. This is due to clear communication throughout the department.
- ✓ Penalty abatement cases reviewed for non-audit tax periods were 2,615, a decrease of 8% over last fiscal year. Average turnaround time was 5 days.
- ✓ Walk-in office staff assisted a total of 12,097 customers.
- The number of new properties reported to Unclaimed Property in fiscal year 2010 totaled 497,579 with total collections equaling more than \$116 million. The claims processing staff returned properties valued at over \$24 million to the rightful owners. The average time to process and pay a claim was 72 days.

TAX POLICY & RESEARCH

The division provides administrative tax policy for the department, legal and interpretative support, case resolution and advocacy for the various divisions within the department. The division also acts as liaison to the Attorney General's Tax Section and coordinates the defense of litigation with the Tax Section attorneys. The division provides additional support to the director on an as-needed basis, including services in the area of protecting taxpayer confidentiality and privacy. The division consists of Corporate Appeals, Individual Income Audit Appeals, Transaction Privilege Tax Audit Appeals, and the Tax Research & Analysis Section.

Tax Research & Analysis

Tax Research & Analysis Section reviews, analyzes, develops and disseminates administrative tax policy for the department in numerous ways. The section also researches questions presented by other sections of the department, the Governor's office, and the Legislature. The section is responsible for drafting formal taxpayer rulings and procedures as well as private taxpayer rulings. The section also responds to technical and complex inquiries by telephone and information letters. The section is responsible for maintaining consistency in interpretation of policy and interpretation within the department.

The section reviews and analyzes legislation, assists the department in setting tax policy, and develops and promulgates administrative rules. Additionally, the section provides policy support for the Audit Division and provides guidance and interpretative advice to the audit sections on audit issues and protested cases.

Tax Appeals

The office consists of three appeals sections: Transaction Privilege & Use Tax, Corporate Income Tax and Individual Income Tax.

The Transaction Privilege & Use Tax (TPT) Appeals Section is headed by the TPT Appeals Administrator and includes the TPT Protest unit. TPT Appeals assists the Transaction Privilege and

Use Tax Audit Section with case refinement and resolution services at the informal hearing as well as advocating the audit section's position in cases before the State Office of Administrative Hearings (OAH), the department's Hearing Office, and the director. It also represents the department at OAH in matters involving other issues, such as tobacco, luxury tax, and administrative determinations. The section also assists the Tax Section of the Attorney General's Office with preparation of cases being heard before the Board of Tax Appeals, Tax Court and the appellate courts. The administrator of the section acts as the General Counsel and Disclosure Officer for the department.

The Corporate Income Tax Appeals Section reviews cases from the Corporate Income Audit Section and provides case refinement, resolution and advocacy services for those cases. The section works hand-in-hand with the Corporate Audit Section, represents the Corporate Audit Section in informal hearings, before the Hearing Office, and before the director. The section also assists the Tax Section of the Attorney General's Office with preparation and research of cases being heard before the Board of Tax Appeals, Tax Court and the appellate courts. In addition, staff testifies at various levels of the appeals process. The section provides interpretative advice to the Corporate Income Audit staff.

The Individual Income Tax Appeals Section reviews cases from the Individual Income Audit Section and provides case refinement, resolution and advocacy services for those cases, representing the Individual Income Audit Section before the Hearing Office and before the director. The section also provides interpretative advice to the Individual Income Audit Staff. The section also assists the Tax Section of the Attorney General's Office with preparation and research of cases being heard before the Board of Tax Appeals, Tax Court and the appellate courts. In addition, the staff testifies at various levels of the appeals process.

ARIZONA'S TAXES

Revenue Summary (Table 1)

Net Revenue to State General Fund (Table 2)

Gross Collections of Audit Assessments and Delinquent Tax (Table 3)

Transaction Privilege, Use and Severance Tax

Income Tax

Property Tax

TABLE 1
REVENUE SUMMARY
GROSS REVENUE COLLECTED
FISCAL YEAR 2005-06 THROUGH FISCAL YEAR 2009-10

SOURCE	FY2005-06	FY2006-07	FY2007-08	FY2008-09	FY2009-10
TRANSACTION PRIVILEGE USE AND SEVERANCE TAX					
Distribution Base	\$1,742,272,992	\$1,848,148,565	\$1,788,242,630	\$1,548,202,473	\$1,427,991,054
Nonshared Portion	3,350,808,572	3,575,743,539	3,448,839,624	2,965,242,162	2,653,983,212
Use Tax	306,198,808	303,010,863	340,535,252	292,698,574	271,763,845
Education Tax	628,471,192	666,184,022	645,827,821	558,899,709	504,391,092
Temporary Tax (9)	-----	-----	-----	-----	544,136
Undistributed Estimated					
Transaction Privilege Tax	33,445,892	34,613,656	(28,064,558)	(17,219,713)	26,197,663
Other State Revenue	37,070,520	32,316,678	26,543,638	26,453,838	24,955,212
County and City Collections	1,237,537,000 (6)	1,430,363,301	1,375,333,407	1,199,517,669	1,072,323,109
Subtotal	\$7,335,804,976	\$7,890,380,625	\$7,597,257,813	\$6,573,794,714	\$5,982,149,321
INCOME TAX					
Withholding	3,041,031,728	3,294,287,540	3,344,770,438	3,092,546,185	3,017,256,893
Individual	1,631,563,811	1,677,949,795	1,461,050,780	967,788,513	768,011,214
Corporate	978,239,759	1,070,710,516	985,126,064	749,268,088	650,837,762
Subtotal	\$5,650,835,298	\$6,042,947,851	\$5,790,947,282	\$4,809,602,786	\$4,436,105,869
LUXURY TAX					
Spirituos Liquor	26,392,315	27,674,933	27,613,939	28,341,033	29,304,713
Vinous Liquor	11,509,865	10,755,478	13,006,487	13,006,125	13,881,407
Malt Liquor	23,245,180	24,758,494	23,936,126	22,831,547	22,232,715
Tobacco - All Types (1)	302,040,359 (6)	363,431,607 (4)	412,769,855	380,593,991	340,839,935
Licensing	5,900	8,100	7,100	7,075	7,900
Subtotal	\$363,193,619 (6)	\$426,628,612	\$477,333,506	\$444,779,771	\$406,266,670
ESTATE TAX					
Estate (7)	13,275,666	860,558	414,711	234,065	363,755
Unclaimed Property	69,705,035	97,125,191	136,446,760	74,337,392	161,637,025
Escheated Estates	562,510	552,507	647,669	643,679	320,538
Subtotal	\$83,543,211	\$98,538,256	\$137,509,139	\$75,215,136	\$162,321,318
OTHER REVENUES					
Bingo	623,480	619,387	558,330	531,588	520,655
Flight Property Tax (5)	13,685,936	15,302,697	13,821,790	11,975,326	9,451,430
Private Car Tax	1,426,435	1,709,362	1,615,246	1,435,069	1,335,091
Nuclear Plan Assessment	1,198,087	1,367,248	1,440,492	0 (8)	1,569,091
Waste Tire	8,477,996	8,967,577	8,704,684	7,890,076	7,925,216
Subtotal	\$25,411,934 (6)	\$27,966,271 (6)	\$26,140,542	\$21,832,059	\$20,801,482
DEPARTMENT TOTAL	\$13,458,789,039 (6)	\$14,486,461,614 (6)	\$14,029,188,283	\$11,925,224,465	\$11,007,644,661
State Property Tax (2)	30,298,197	29,906,683	28,558,411	20,174,395	24,581,308
TOTAL (3)	\$13,489,087,236 (6)	\$14,516,368,297 (6)	\$14,057,746,694	\$11,945,398,861	\$11,032,225,969

(1) Figures represent gross tobacco revenue less administrative expenses

(2) Property Tax is collected and deposited in the state general fund by counties. This figure includes deposits to the General Fund derived from the minimum Qualifying Tax Rate and taxes collected within Unorganized School Districts

(3) All revenues collected by the Department of Revenue, including those which are later refunded or distributed, and State Property Tax

(4) Growth due to increases in tobacco tax rates effective December 2007.

(5) Effective FY05, all Flight Property Tax revenues are transferred to the State Aviation Fund

(6) Corrected figures.

(7) Arizona's estate tax was effectively repealed January 1, 2005, following the IRS's elimination of the Federal State Death Tax Credit

(8) Due to an extended legislative session, the Nuclear Assessment bill was not signed in FY09. This amount will be reflected in FY10

(9) On May 18, 2010, voters approved Proposition 100 which will temporarily increase the state transaction privilege and use rate on most transactions by one percentage point beginning June 1, 2010, and ending May 31, 2013

For additional detail on the current year revenue, please refer to the appropriate section within this report

Figures may not add to total due to rounding

TABLE 2
NET REVENUE TO STATE GENERAL FUND
FISCAL YEAR 2005-06 THROUGH FISCAL YEAR 2009-10

SOURCE	FY2005-06	FY2006-07	FY2007-08	FY2008-09	FY2009-10
Transaction Privilege, Use, and Severance Tax	\$4,257,917,335	\$4,516,215,317	\$4,406,139,759	\$3,791,915,770	\$3,418,261,171
Undistributed Estimated Transaction Privilege Tax	33,445,892	34,613,656	(28,064,558)	(17,219,713)	26,197,663
Income Tax	4,089,641,855	4,089,906,556	3,506,425,271	2,432,366,069	2,200,844,986
Luxury Tax	66,732,468	65,808,829	61,037,231	57,878,187	55,352,260
Estate Tax (2)	11,683,603	(550,764)	320,203	210,372	363,755
Unclaimed Property	10,256,152	11,703,745	9,755,359	9,526,605	100,034,835
Bingo	623,480	619,387	558,330	531,588	520,655
Private Car Tax	1,426,435	1,709,362	1,615,246	1,435,069	1,335,091
Nuclear Plan Assessment	1,198,087	1,367,248	1,440,492	0 (3)	1,569,091
Department Total	\$8,472,925,307	\$8,721,393,336	\$7,959,227,334	\$6,276,643,947	\$5,804,479,506
State Property Tax (1)	30,298,197	29,906,683	28,558,411	20,174,395	24,581,308
TOTAL	\$8,503,223,504	\$8,751,300,019	\$7,987,785,745	\$6,296,818,342	\$5,829,060,814

(1) Property Tax is not collected by the Department of Revenue. It is deposited in the State General Fund by counties. This figure includes deposits to the General Fund derived from the minimum Qualifying Tax Rate and taxes collected within Unorganized School Districts.

(2) Arizona's estate tax was effectively repealed January 1, 2005, following the IRS's elimination of the Federal State Death Tax Credit.

(3) Due to an extended legislative session, the Nuclear Assessment bill was not signed in FY09. This amount will be reflected in FY10.

Figures may not add to total due to rounding.

TABLE 3
GROSS COLLECTIONS OF AUDIT ASSESSMENTS AND DELINQUENT TAX
FISCAL YEAR 2008-09 AND FISCAL YEAR 2009-10

GROSS COLLECTIONS	FY2008-09	FY2009-10	% CHANGE
Collections	\$233,436,650	\$211,849,992	-9.2%
Audit	\$177,428,186	\$176,910,617	-0.3%
Accounts Receivable	\$123,026,000	\$106,116,400	-13.7%
TOTAL GROSS COLLECTIONS	\$533,890,836	\$494,877,009	-7.3%
ADJUSTMENTS (1)			
Duplication, Credit Audits and Other Adjustments As Reported	\$20,010,122	\$18,405,470	-8.0%
TOTAL ADJUSTED NET ENFORCEMENT COLLECTIONS (2)	\$513,880,714	\$476,471,539	-7.3%

(1) Audits resulting in credit adjustments are subtracted to produce an actual figure representing the net gain to the state from the Audit Division's efforts.

(2) Actual amounts resulting from the department's enforcement effort.

TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX

MAJOR FEATURES

Arizona's transaction privilege, use and severance taxes are imposed on the privilege of transacting business in the state.

During most of fiscal year 2010, the state tax rates range from 2.5% to 5.6% depending on the type of business, with most rates at 5.6% (*Refer to Table 5*). Gross revenue exceeding \$6.0 billion was remitted by Transaction Privilege, Severance and Use Tax license holders during fiscal year 2010 (*Refer to Table 4*).

On May 18, 2010, voters approved Proposition 100 which temporarily increases the state transaction privilege and use rate on most transactions by one percentage point beginning June 1, 2010 and ending May 31, 2013.

SEVERANCE TAX

A severance tax is imposed in lieu of a transaction privilege tax on the businesses of mining metalliferous mineral. The severance rate is 2.5% on mining metalliferous minerals (*Refer to Table 5*).

DISTRIBUTION

The transaction privilege tax creates a tax base that is divided into two parts, distribution base and non-shared. The distribution base portion is divided among municipalities (25%), counties (40.51%), and the state general fund (34.49%). The non-shared portion is deposited directly to the state general fund (*Refer to Tables 7 and 8*). Use tax is deposited only to the state general fund.

USE TAX

A 5.6% use tax is imposed on the purchase price of tangible personal property when a transaction privilege tax equal to or greater than the Arizona rate was not paid. A use tax collection responsibility is imposed on retailers whose activities in the state are insufficient to require them to pay transaction privilege tax but are nonetheless substantial enough to fall outside the protective umbrella of the United States Constitutional provision governing interstate commerce. Firms without nexus may also voluntarily collect use tax for the benefit of their customers.

MUNICIPAL PRIVILEGE AND USE TAX

The department collects transaction privilege and use tax for 76 Arizona cities and towns at no charge to the municipalities. This is a service to the cities and to the taxpaying community who are therefore able to combine their reporting requirements on a single form and payment to a single governmental entity. Weekly distribution checks to the cities are processed after the department collects the local taxes (*Refer to Tables 26 and 27*).

COUNTY TAX AND SURCHARGE COLLECTION

All 15 counties in Arizona levy some type of county tax or surcharge (*Refer to Table 4*). These taxes or surcharges are collected by the department. The rental car surcharge is imposed only in Maricopa and Pima Counties. A tax on hotels located in unincorporated areas of the county is levied in Pima County.

Of the 14 counties with statutory authority to impose a general excise tax, only 13 do so. By statute, Maricopa County may not impose an excise tax. Although subject to voter approval, any county may levy a transportation excise tax or road tax. Only four counties, Gila, Maricopa, Pima, and Pinal, do so.

The other types of county excise tax options are a hospital tax, a jail tax, capital projects, and health services district.

TABLE 4
GROSS TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS
FISCAL YEAR 2005-06 THROUGH FISCAL YEAR 2009-10

SOURCE	FY2005-06	FY2006-07	FY2007-08	FY2008-09	FY2009-10
Distribution Base	\$1,742,272,992	\$1,848,148,565	\$1,788,242,630	\$1,548,202,473	\$1,427,991,054
Nonshared	3,350,808,572	3,575,743,539	3,448,839,624	2,965,242,162	2,653,983,212
Use Tax	306,198,808	303,010,863	340,535,252	292,698,574	271,763,845
SUBTOTAL	\$5,399,280,372	\$5,726,902,967	\$5,577,617,505	\$4,806,143,210	\$4,353,738,110
Education Tax	\$628,471,192	\$666,184,022	\$645,827,821	\$558,899,709	\$504,391,092
Temporary Tax (4)	-----	-----	-----	-----	544,136 (1)
Undistributed Estimated	33,445,892	34,613,656	(28,064,558)	(17,219,713)	26,197,663
Telecommunications Devices	3,860,508	6,744,231 (2)	6,581,940	6,274,404	6,086,692
Poison Control Fund	1,128,620	-----	-----	-----	-----
School for the Deaf	867,140 (2)	-----	-----	-----	-----
Teratogen Information Program	48,678 (2)	-----	-----	-----	-----
911 Excise	28,736,693	23,074,167	17,332,349	17,774,128	16,453,500
Municipal Water	2,403,644	2,449,270	2,550,646	2,375,423	2,392,765
Waste Tire Accounts					
Receivable Collections	25,238	49,009	78,702	29,883	22,255
GROSS STATE COLLECTIONS	\$6,098,267,976	\$6,460,017,324	\$6,221,924,406	\$5,374,277,044	\$4,909,826,212
Municipal Privilege Tax	\$551,992,962	\$619,189,088	\$581,066,050	\$506,884,596	\$443,808,996
Apache County Excise Tax	1,202,364	1,150,488	1,402,145	1,443,180	1,057,667
Cochise County Excise Tax	7,084,178	7,626,330	7,801,411	7,457,788	7,136,677
Coconino County Excise Tax	11,510,952	12,219,377	12,455,849	11,697,597	10,722,220
Coconino County Jail Tax	6,904,220	9,143,351	12,400,413	11,680,202	10,741,640
Coconino County Capitol Projects Tax	2,878,151	3,050,257	3,108,226	2,921,475	2,676,492
Gila County Excise Tax	3,014,729	3,308,376	3,287,537	3,041,923	2,689,763
Gila County Road Tax	3,107,708	3,410,721	3,391,644	3,152,896	2,799,473
Graham County Excise Tax	1,616,224	1,977,017	2,258,906	1,982,088	1,601,005
Greenlee County Excise Tax	1,062,011	1,052,972	1,641,764	1,553,396	842,107
La Paz County Excise Tax	1,147,366	1,168,130	1,122,268	1,027,828	1,038,469
La Paz County Jail Tax	1,147,361	1,167,821	1,122,266	1,027,827	1,037,994
La Paz County Health Services District	1,124	573	41	61	16
Maricopa County Road Tax	214,045,397 (1)	1,496,644	715,372	797,117	671,246
Maricopa County Road Tax Extension	153,591,999 (1)	390,953,954	379,350,183	327,388,602	298,352,305
Maricopa County Stadium Tax	4,796	2,346	884	1,104	1,736
Maricopa County Jail Tax	125,919,368	145,445,860	139,699,551	118,527,226	107,492,524
Maricopa County Rental Car Surcharge	6,493,520	6,211,155	6,206,305	5,318,690	4,669,860
Mohave County Excise Tax	7,809,442	7,717,443	7,070,208	6,429,137	5,654,783
Navajo County Excise Tax	6,613,709	6,778,153	7,083,165	6,330,588	5,480,598
Pima County Hotel Tax	6,396,637	8,766,453	8,215,104	6,700,311	5,637,658
Pima County Rental Car Surcharge	1,588,913	1,689,669	1,731,469	1,388,670	1,339,960
Pima County R.V. Surcharge	213,599	217,530	208,287	167,218	180,969
Pima County Road Tax	-----	66,810,147	74,768,398	67,221,351	62,936,950
Pinal County Excise Tax	16,998,069	18,826,280	17,449,950	14,335,789	12,130,566
Pinal County Health Services District	-----	-----	2,319,086 (1)	2,881,911	2,414,381
Pinal County Road Tax	17,279,308	19,177,206	17,856,916	14,830,503	12,599,660
Santa Cruz County Excise Tax	3,130,804	3,458,900	3,267,685	2,961,238	2,547,860
Santa Cruz County Jail Tax	-----	3,111,567	3,241,021	2,951,355	2,445,901
Yavapai County Excise Tax	16,623,589	16,971,697	15,908,075	13,657,537	11,818,833
Yavapai County Jail Tax	8,310,397	8,483,152	7,952,863	6,829,627	5,908,756
Yuma County Excise Tax	11,880,763	12,400,384	12,339,424	11,937,204	10,463,855
Yuma County Jail Tax	11,880,747 (3)	12,401,312	12,338,683	11,937,082	10,463,970
Yuma County Capitol Projects Tax	11,820,404	8,240,159 (1)	49,866	65,276	18,633
Yuma County Health Services District	1,811,649 (1)	2,458,301	2,474,852	2,372,996	2,083,126
Tourism/Sports Authority	22,454,539	24,267,403	24,027,540	20,615,783	20,856,461
Additional Distribution	-----	13,085	-----	-----	-----
COUNTY AND CITY COLLECTIONS	\$1,237,537,000	\$1,430,363,301	\$1,375,333,407	\$1,199,517,669	\$1,072,323,109
TOTAL DEPARTMENT OF REVENUE RECEIPTS	\$7,335,804,975	\$7,890,380,625	\$7,597,257,813	\$6,573,794,714	\$5,982,149,321

(1) The tax was in place for only a portion of the fiscal year. This figure does not represent a full year's collection.

(2) The distribution was in place for only a portion of the fiscal year.

(3) Corrected figure

(4) On May 18, 2010, voters approved Proposition 100 which will temporarily increase the state transaction privilege and use rate on most transactions by one percentage point beginning June 1, 2010, and ending May 31, 2013.

TABLE 5
STATE TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX RATES
FISCAL YEAR 2009-10 (1)

TAXABLE ACTIVITIES	DISTRIBUTION BASE	NONSHARED	EDUCATION	TOTAL TAX
1. Transporting and Towing	1.0%	4.0%	0.6%	5.6%
2. Nonmetalliferous Mining, Oil and Gas Production	1.0%	2.125%	0.0%	3.125%
4. Utilities	1.0%	4.0%	0.6%	5.6%
5. Communications	1.0%	4.0%	0.6%	5.6%
6. Railroads and Aircraft	1.0%	4.0%	0.6%	5.6%
7/8. Private Car/Pipelines	1.0%	4.0%	0.6%	5.6%
9. Publishing	1.0%	4.0%	0.6%	5.6%
10. Printing	1.0%	4.0%	0.6%	5.6%
11. Restaurants and Bars	2.0%	3.0%	0.6%	5.6%
12. Amusements	2.0%	3.0%	0.6%	5.6%
14. Personal Property Rentals	2.0%	3.0%	0.6%	5.6%
15. Contracting	1.0%	4.0%	0.6%	5.6%
17. Retail	2.0%	3.0%	0.6%	5.6%
19. Mining Severance	2.0%	0.5%	0.0%	2.5%
25. Hotel/Motel Tax	2.75%	2.75%	0.0%	5.5%
29/30. Use and Use Inventory Tax	0.0%	5.0%	0.6%	5.6%
49. Jet Fuel (per gallon)	\$0.0122	\$0.0183	\$0	\$0.0305
51. Jet Fuel Use (per gallon)	\$0	\$0.0305	\$0	\$0.0305

(1) On May 18, 2010, voters approved Proposition 100 which will temporarily increase the state transaction privilege and use rate on most transactions by one percentage point beginning June 1, 2010 and ending May 31, 2013. This rate is not reflected on this table.

TABLE 6
NET TAXABLE SALES
BY TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX CLASSIFICATIONS (1)
FISCAL YEAR 2005-06 THROUGH FISCAL YEAR 2009-10

CLASSIFICATION	FY2005-06	% OF TOTAL	FY2006-07	% OF TOTAL	FY2007-08	% OF TOTAL	FY2008-09	% OF TOTAL	FY2009-10	% OF TOTAL
Transporting (4)	\$59,800,611	0.06	\$43,350,656	0.04	\$48,715,871	0.04	\$37,920,229	0.04	\$41,990,223	0.05
Mining, Oil & Gas	321,538,409	0.30	255,531,207	0.22	216,674,568	0.19	175,743,314	0.18	102,899,820	0.12
Mining Severance	1,219,984,252	1.12	1,743,361,330	1.51	1,752,522,103	1.56	729,481,920	0.76	1,164,231,217	1.33
Utilities	7,679,981,999	7.06	8,609,033,694	7.47	9,237,778,527	8.23	9,236,365,624	9.59	9,354,244,929	10.70
Communications	3,220,061,678	2.96	3,513,667,361	3.05	3,669,682,556	3.27	2,928,433,210	3.04	3,618,207,813	4.14
Private Car and Pipelines	25,751,236	0.02	19,678,951	0.02	16,021,363	0.01	7,742,692	0.01	1,639,838	n/a
Publishing	133,679,534	0.12	129,680,750	0.11	122,652,124	0.11	102,456,538	0.11	103,681,055	0.12
Job Printing	403,686,091	0.37	397,801,716	0.35	391,037,724	0.35	307,581,474	0.32	236,985,401	0.27
Restaurants and Bars	8,933,458,779	8.22	9,619,785,333	8.34	9,663,958,579	8.61	9,094,485,498	9.44	9,020,794,923	10.32
Amusements	998,766,714	0.92	1,086,363,361	0.94	1,146,344,296	1.02	1,053,047,833	1.09	1,051,919,242	1.20
Commercial Lease (3)	(119,532)	n/a (2)	(1,707)	n/a (2)	(443,473)	n/a (2)	874	n/a (2)	141,375	n/a (2)
Personal Property Rentals	3,633,373,845	3.34	3,927,824,025	3.41	3,995,696,708	3.56	3,552,696,373	3.69	3,127,828,157	3.58
Contracting	20,487,917,068	18.85	22,415,050,588	19.44	20,156,298,616	17.95	14,882,705,766	15.45	9,311,612,411	10.65
Retail	53,147,971,363	48.89	55,009,403,286	47.72	52,626,992,989	46.86	46,174,068,033	47.94	42,913,931,049	49.08
Hotel/Motel	2,268,775,586	2.09	2,411,634,235	2.09	2,405,704,851	2.14	2,117,241,787	2.20	1,949,717,696	2.23
Rental Occupancy Tax	3,471,162	0.00 (2)	1,064,998	0.00 (2)	(2,669,444)	n/a (2)	(24,871)	n/a (2)	(62,113)	n/a (2)
Use Tax	6,155,958,934	5.66	6,091,506,625	5.28	6,837,880,265	6.09	5,882,941,979	6.11	5,464,504,380	6.25
Use Tax-Utilities	16,581,719	0.02	12,153,982	0.01	12,461,292	0.01	38,653,312	0.04	(35,593,960)	(0.04)
Membership Camping	2,784,840	0.00 (2)	12,257	0.00 (2)	51,662	0.00 (2)	10,780	0.00 (2)	9,730	n/a (2)
TOTAL	\$108,713,424,289	100.00	\$115,286,902,648	100.00	\$112,297,361,177	100.00	\$96,321,552,366	100.00 (2)	\$87,428,683,185	100.00 (2)

(1) Net taxable sales are based upon tax receipts.

(2) Percent of total is less than 0.01%.

(3) Commercial Lease rate dropped to 0% effective July 1, 1997.

(4) The Transportation/Towing and Railroads/Aircraft business classifications have been combined into one category and renamed Transporting.

Figures may not add to total due to rounding.

TABLE 7
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS BY CLASS
FISCAL YEAR 2009-10

CLASSIFICATION	DISTRIBUTION BASE	NONSHARED	TOTAL COLLECTIONS
Transporting (1)	\$419,756	\$1,679,024	\$2,098,779
Nonmetal Mining, Oil and Gas	1,028,624	2,185,825	3,214,448
Mining Severance	23,278,843	5,819,711	29,098,554
Timbering Severance - Ponderosa (3)	1,813	453	2,266
Timbering Severance - Other (3)	(1)	(0)	(1)
Utilities	93,525,248	374,100,994	467,626,242
Communications	36,176,925	144,707,699	180,884,623
Private Car and Pipelines	16,370	65,481	81,851
Publishing	1,036,595	4,146,380	5,182,975
Job Printing	2,369,300	9,477,198	11,846,498
Restaurants and Bars	180,391,930	270,587,896	450,979,826
Amusements	21,036,055	31,554,083	52,590,139
Commercial Lease (2)	3,726	3,304	7,030
Rentals of Personal Property	62,545,553	93,818,330	156,363,883
Contracting	93,033,441	372,384,781	465,418,221
Retail	858,124,356	1,287,186,534	2,145,310,890
Hotel/Motel	53,610,759	53,610,759	107,221,518
Rental Occupancy Tax (3)	1,139	561	1,700
Use Tax Utilities	(355,943)	(1,423,771)	(1,779,714)
Use Tax	0	271,763,845	271,763,845
License Fees	0	725,911	725,911
Membership Camping (3)	191	286	477
Jet Fuel Tax	1,784,219	2,676,329	4,460,549
Jet Fuel Use Tax	0	828,265	828,265
Non Sufficient Funds	0	(1,437)	(1,437)
Telecommunications Service Assistance	(37,846)	(151,383)	(189,229)
TOTAL	\$1,427,991,054	\$2,925,747,057	\$4,353,738,110

(1) Transporting/Towing has been combined with Railroads/Aircraft for confidentiality purposes.

(2) Commercial Lease rate dropped to 0% effective July 1, 1997.

(3) Effective November 1, 2006, these rates were repealed.

Figures may not add to total due to rounding.

TABLE 8
DISTRIBUTION OF TRANSACTION PRIVILEGE, USE
AND SEVERANCE TAX COLLECTIONS
FISCAL YEAR 2009-10

Net Regular to State General Fund	\$3,418,261,171
Net Estimated Payments to General Fund	26,197,663
Net to Cities	356,997,763
Net to Counties	578,479,176
Net to Education Fund	504,391,092
Net to Temporary Tax (1)	544,136
911 Wireline/Excise, 911 Wireless, Telecommunications Devices, Municipal Water, and Waste Tire Accounts Receivable Collections	24,955,212
TOTAL GROSS COLLECTIONS	\$4,909,826,212

ADDITIONAL DISTRIBUTION FROM
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS
FISCAL YEAR 2009-10

Phoenix International Raceway - Highway Improvements	\$416,667
Rio Nuevo	\$8,727,318
Sports and Tourism Authority	\$5,019,767
Tribal Community Colleges	\$1,662,908
Additional distribution of city collections	\$1,231,132

(1) On May 18, 2010, voters approved Proposition 100 which will temporarily increase the state transaction transactions by one percentage point beginning June 1, 2010, and ending May 31, 2013.

Figures may not add total due to rounding.

TABLE 9
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)
IN APACHE COUNTY FOR THE PERIOD BEGINNING
JULY 1, 2009 AND ENDING JUNE 30, 2010

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2008-09	COLLECTIONS
Utilities	\$13,873,258	-0.9%	\$693,663
Communications	17,052,035	28.5%	852,602
Publishing	306,491	NA	15,325
Job Printing	147,511	141.8%	7,376
Restaurants and Bars	11,511,746	-6.1%	575,587
Amusements	147,628	NA	7,381
Rentals of Personal Property	4,151,410	-54.4%	207,571
Contracting (All)	88,152,187	-16.9%	4,407,609
Retail	63,926,712	-37.7%	3,196,336
Hotel/Motel	13,152,746	-17.2%	723,401
Other Taxable Activities (2)	119,259,751	10.1%	5,799,049
TOTAL	\$331,681,477	-13.1%	\$16,485,899

NUMBER OF ACCOUNTS
FISCAL YEAR 2007-08 THROUGH FISCAL YEAR 2009-10

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2007-08	FY2008-09	FY2009-10
Utilities	26	24	26
Communications	123	115	115
Publishing		12	14
Job Printing	12	10	11
Restaurants and Bars	74	65	75
Amusements		11	10
Rentals of Personal Property	181	176	171
Contracting (All)	477	472	452
Retail	1,307	1,349	1,277
Hotel/Motel	60	58	56
Other Taxable Activities	927	949	943
TOTAL	3,187	3,241	3,150

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

(2) For FY10, different categories have been classified under Other Taxable Activities compared to FY09.

Figures may not add to total due to rounding.

TABLE 10
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)
IN COCHISE COUNTY FOR THE PERIOD BEGINNING
JULY 1, 2009 AND ENDING JUNE 30, 2010

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2008-09	COLLECTIONS
Utilities	\$182,211,652	6.6%	\$9,110,583
Communications	56,827,136	4.3%	2,841,357
Job Printing	1,801,872	NA	90,094
Restaurants and Bars	130,405,529	2.9%	6,520,276
Amusements	6,059,451	-6.7%	302,973
Rentals of Personal Property	26,186,376	-31.9%	1,309,319
Contracting (All)	235,675,346	-13.3%	11,783,767
Retail	728,107,748	-4.5%	36,405,387
Hotel/Motel	42,983,951	-3.0%	2,364,117
Other Taxable Activities (2)	77,154,949	NA	3,829,467
TOTAL	\$1,487,414,010	-5.0%	\$74,557,340

NUMBER OF ACCOUNTS
FISCAL YEAR 2007-08 THROUGH FISCAL YEAR 2009-10

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2007-08	FY2008-09	FY2009-10
Utilities	53	57	61
Communications	198	208	198
Job Printing			28
Restaurants and Bars	353	339	345
Amusements	62	63	65
Rentals of Personal Property	381	392	385
Contracting (All)	1,240	1,179	1,144
Retail	3,541	3,437	3,371
Hotel/Motel	152	154	154
Other Taxable Activities (2)	1,541	1,542	1,488
TOTAL	7,521	7,371	7,239

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not include

(2) For FY10, different categories have been classified under Other Taxable Activities compared to FY09.

Figures may not add to total due to rounding.

TABLE 11
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)
IN COCONINO COUNTY FOR THE PERIOD BEGINNING
JULY 1, 2009 AND ENDING JUNE 30, 2010

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2008-09	COLLECTIONS
Utilities	\$170,306,170	0.4%	\$8,515,308
Communications	83,677,534	56.7%	4,183,877
Publishing	1,532,909	-6.6%	76,645
Job Printing	2,011,362	14.8%	100,568
Restaurants and Bars	315,569,407	-4.6%	15,778,470
Amusements	64,587,560	-2.0%	3,229,378
Rentals of Personal Property	60,048,666	-7.2%	3,002,433
Contracting (All)	257,123,309	-29.9%	12,856,165
Retail	927,450,811	-7.7%	46,372,541
Hotel/Motel	225,145,794	-6.7%	12,383,016
Other Taxable Activities	86,843,054	-23.1%	4,245,244
TOTAL	\$2,194,296,576	-9.1%	\$110,743,646

NUMBER OF ACCOUNTS
FISCAL YEAR 2007-08 THROUGH FISCAL YEAR 2009-10

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2007-08	FY2008-09	FY2009-10
Utilities	42	43	41
Communications	234	229	227
Publishing	30	31	33
Job Printing	42	45	44
Restaurants and Bars	475	468	461
Amusements	87	99	97
Rentals of Personal Property	489	504	495
Contracting (All)	1,957	1,826	1,719
Retail	4,343	4,352	4,243
Hotel/Motel	245	252	245
Other Taxable Activities	1,874	1,876	1,889
TOTAL	9,818	9,725	9,494

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

Figures may not add to total due to rounding.

TABLE 12
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)
IN GILA COUNTY FOR THE PERIOD BEGINNING
JULY 1, 2009 AND ENDING JUNE 30, 2010

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2008-09	COLLECTIONS
Utilities	\$112,027,166	-8.9%	\$5,601,358
Communications	24,567,687	62.1%	1,228,384
Publishing	561,876	-12.2%	28,094
Job Printing	384,565	-7.9%	19,228
Restaurants and Bars	54,530,058	-5.0%	2,726,503
Amusements	1,487,635	17.4%	74,382
Rentals of Personal Property	16,857,828	-6.9%	842,891
Contracting (All)	72,024,538	-26.9%	3,601,227
Retail	243,054,717	-12.1%	12,152,736
Hotel/Motel	9,889,753	-15.2%	543,936
Other Taxable Activities	45,456,692	-34.1%	1,917,975
TOTAL	\$580,842,515	-13.5%	\$28,736,715

NUMBER OF ACCOUNTS
FISCAL YEAR 2007-08 THROUGH FISCAL YEAR 2009-10

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2007-08	FY2008-09	FY2009-10
Utilities	32	37	34
Communications	161	167	158
Publishing	15	17	14
Job Printing	18	20	14
Restaurants and Bars	184	171	162
Amusements	30	34	32
Rentals of Personal Property	281	277	261
Contracting (All)	948	841	794
Retail	2,095	2,107	2,039
Hotel/Motel	69	63	66
Other Taxable Activities	1,034	1,018	978
TOTAL	4,867	4,752	4,552

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

Figures may not add to total due to rounding.

TABLE 13
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)
IN GRAHAM COUNTY FOR THE PERIOD BEGINNING
JULY 1, 2009 AND ENDING JUNE 30, 2010

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2008-09	COLLECTIONS
Communications	\$13,673,693	3.7%	\$683,685
Restaurants and Bars	22,924,664	-8.6%	1,146,233
Rentals of Personal Property	8,279,165	-46.1%	413,958
Contracting (All)	32,934,293	-49.1%	1,646,715
Retail	183,379,543	-15.4%	9,168,977
Other Taxable Activities (2)	238,007,819	NA	7,700,394
TOTAL	\$499,199,177	13.5%	\$20,759,962

NUMBER OF ACCOUNTS
FISCAL YEAR 2007-08 THROUGH FISCAL YEAR 2009-10

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2007-08	FY2008-09	FY2009-10
Communications	119	118	122
Restaurants and Bars		67	68
Rentals of Personal Property	161	167	164
Contracting (All)	406	401	356
Retail	1,275	1,283	1,270
Other Taxable Activities (2)	880	847	833
TOTAL	2,841	2,883	2,813

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

(2) For FY10, more categories have been classified under the Other Taxable Activities compared to FY09.

Figures may not add to total due to rounding.

TABLE 14
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)
IN GREENLEE COUNTY FOR THE PERIOD BEGINNING
JULY 1, 2009 AND ENDING JUNE 30, 2010

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2008-09	COLLECTIONS
Communications	\$3,691,688	14.7%	\$184,584
Restaurants and Bars	3,986,095	-24.9%	199,305
Rentals of Personal Property	1,661,689	-11.8%	83,084
Contracting (All)	7,584,247	-86.5%	379,212
Retail	92,371,073	-44.4%	4,618,554
Other Taxable Activities (2)	400,345,232	NA	11,577,094
TOTAL	\$509,640,025	1.2%	\$17,041,834

NUMBER OF ACCOUNTS
FISCAL YEAR 2007-08 THROUGH FISCAL YEAR 2009-10

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2007-08	FY2008-09	FY2009-10
Communications	76	80	71
Restaurants and Bars	26	29	25
Rentals of Personal Property	71	71	69
Contracting (All)	137	147	117
Retail	516	500	482
Other Taxable Activities	410	393	398
TOTAL	1,236	1,220	1,162

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

(2) For FY10, more categories have been classified under Other Taxable Activities compared to FY09.

Figures may not add to total due to rounding.

TABLE 15
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)
IN LA PAZ COUNTY FOR THE PERIOD BEGINNING
JULY 1, 2009 AND ENDING JUNE 30, 2010

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2008-09	COLLECTIONS
Utilities	\$26,186,190	11.0%	\$1,309,310
Communications	8,875,810	118.1%	443,791
Restaurants and Bars	28,878,861	9.6%	1,443,943
Amusements	261,237	57.4%	13,062
Rentals of Personal Property	752,988	-72.6%	37,649
Contracting (All)	23,300,123	-15.8%	1,165,006
Retail	126,529,704	9.2%	6,326,485
Hotel/Motel	6,334,129	15.5%	348,377
Other Taxable Activities	13,302,667	34.0%	656,364
TOTAL	\$234,421,710	8.6%	\$11,743,987

NUMBER OF ACCOUNTS
FISCAL YEAR 2007-08 THROUGH FISCAL YEAR 2009-10

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2007-08	FY2008-09	FY2009-10
Utilities	16	19	19
Communications	107	122	115
Restaurants and Bars	114	104	105
Amusements	17	10	9
Rentals of Personal Property	170	152	146
Contracting (All)	347	328	331
Retail	1,777	1,681	1,674
Hotel/Motel	50	48	46
Other Taxable Activities	630	628	671
TOTAL	3,228	3,092	3,116

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

Figures may not add to total due to rounding.

TABLE 16
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)
IN MARICOPA COUNTY FOR THE PERIOD BEGINNING
JULY 1, 2009 AND ENDING JUNE 30, 2010

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2008-09	COLLECTIONS
Utilities	\$5,874,968,491	3.0%	\$293,763,425
Communications	2,398,923,258	22.3%	119,946,163
Publishing	76,403,824	3.3%	3,820,191
Job Printing	185,152,370	-25.1%	9,257,618
Restaurants and Bars	6,074,440,601	-0.7%	303,722,030
Amusements	780,187,261	1.0%	39,009,363
Rentals of Personal Property	2,395,972,568	-11.1%	119,798,628
Contracting (All)	5,824,707,171	-38.1%	291,235,359
Retail	28,605,939,980	-6.9%	1,430,296,999
Hotel/Motel	1,138,702,638	-8.2%	62,628,645
Other Taxable Activities	4,254,673,756	-7.1%	212,072,667
TOTAL	\$57,610,071,918	-9.3%	\$2,885,551,088

NUMBER OF ACCOUNTS
FISCAL YEAR 2007-08 THROUGH FISCAL YEAR 2009-10

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2007-08	FY2008-09	FY2009-10
Utilities	144	144	132
Communications	654	608	637
Publishing	306	285	269
Job Printing	921	905	810
Restaurants and Bars	6,759	6,458	6,346
Amusements	752	732	707
Rentals of Personal Property	3,057	3,055	2,763
Contracting (All)	16,546	15,341	14,147
Retail	49,466	46,571	44,305
Hotel/Motel	663	648	663
Other Taxable Activities	11,441	10,676	10,025
TOTAL	90,709	85,423	80,804

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

Figures may not add to total due to rounding.

TABLE 17
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)
IN MOHAVE COUNTY FOR THE PERIOD BEGINNING
JULY 1, 2009 AND ENDING JUNE 30, 2010

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2008-09	COLLECTIONS
Utilities	\$377,160,110	-25.0%	\$18,858,005
Communications	89,001,558	-1.3%	4,450,078
Publishing	1,231,861	-6.2%	61,593
Job Printing	3,751,661	-34.6%	187,583
Restaurants and Bars	200,290,016	0.6%	10,014,501
Amusements	14,733,136	-11.0%	736,657
Rentals of Personal Property	58,426,834	-27.6%	2,921,342
Contracting (All)	292,061,730	-25.8%	14,603,086
Retail	1,172,665,336	-3.0%	58,633,267
Hotel/Motel	41,353,853	0.9%	2,274,462
Other Taxable Activities	100,103,456	-25.2%	4,920,884
TOTAL	\$2,350,779,550	-12.1%	\$117,661,458

NUMBER OF ACCOUNTS
FISCAL YEAR 2007-08 THROUGH FISCAL YEAR 2009-10

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2007-08	FY2008-09	FY2009-10
Utilities	49	58	58
Communications	187	186	178
Publishing	28	24	19
Job Printing	36	46	33
Restaurants and Bars	445	443	456
Amusements	74	76	75
Rentals of Personal Property	539	514	477
Contracting (All)	2,014	1,686	1,502
Retail	4,885	4,706	4,538
Hotel/Motel	152	154	147
Other Taxable Activities	1,921	1,909	1,884
TOTAL	10,330	9,802	9,367

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

Figures may not add to total due to rounding.

TABLE 18
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)
IN NAVAJO COUNTY FOR THE PERIOD BEGINNING
JULY 1, 2009 AND ENDING JUNE 30, 2010

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2008-09	COLLECTIONS
Utilities	\$93,956,328	-0.6%	\$4,697,816
Communications	41,945,060	41.1%	2,097,253
Publishing	612,609	-11.6%	30,630
Printing	925,596	NA	46,280
Restaurants and Bars	84,617,229	-7.5%	4,230,861
Amusements	6,320,445	NA	316,022
Rentals of Personal Property	24,494,751	-20.4%	1,224,738
Contracting (All)	106,071,991	-37.8%	5,303,600
Retail	705,557,999	-10.6%	35,277,900
Hotel/Motel	30,454,451	-20.0%	1,674,995
Other Taxable Activities (2)	39,190,798	NA	1,933,634
TOTAL	\$1,134,147,256	-13.1%	\$56,833,729

NUMBER OF ACCOUNTS
FISCAL YEAR 2007-08 THROUGH FISCAL YEAR 2009-10

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2007-08	FY2008-09	FY2009-10
Utilities	38	39	39
Communications	163	158	158
Publishing	19	22	21
Printing			20
Restaurants and Bars	235	210	213
Amusements	44	39	33
Rentals of Personal Property	299	308	319
Contracting (All)	1,199	1,073	979
Retail	2,691	2,610	2,526
Hotel/Motel	151	153	148
Other Taxable Activities (2)	1,234	1,227	1,203
TOTAL	6,073	5,839	5,659

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

(2)

Figures may not add to total due to rounding.

TABLE 19
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)
IN PIMA COUNTY FOR THE PERIOD BEGINNING
JULY 1, 2009 AND ENDING JUNE 30, 2010

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2008-09	COLLECTIONS
Utilities	\$1,322,955,521	4.3%	\$66,147,776
Communications	495,731,373	17.7%	24,786,569
Publishing	13,209,595	-2.9%	660,480
Job Printing	33,829,752	-15.6%	1,691,488
Restaurants and Bars	1,385,911,604	-0.3%	69,295,580
Amusements	97,132,937	-2.9%	4,856,647
Rentals of Personal Property	350,824,581	-12.6%	17,541,229
Contracting (All)	1,264,777,504	-34.8%	63,238,875
Retail	6,487,528,884	-4.0%	324,376,444
Hotel/Motel	271,886,637	-7.7%	14,953,765
Other Taxable Activities	875,435,284	1.8%	35,157,892
TOTAL	\$12,599,223,670	-6.6%	\$622,706,745

NUMBER OF ACCOUNTS
FISCAL YEAR 2007-08 THROUGH FISCAL YEAR 2009-10

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2007-08	FY2008-09	FY2009-10
Utilities	79	90	77
Communications	316	325	318
Publishing	84	74	85
Job Printing	171	167	154
Restaurants and Bars	1,703	1,678	1,659
Amusements	213	210	204
Rentals of Personal Property	1,143	1,145	1,069
Contracting (All)	5,278	4,983	4,672
Retail	14,988	14,306	13,839
Hotel/Motel	273	261	257
Other Taxable Activities	4,122	4,008	3,870
TOTAL	28,370	27,247	26,204

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

Figures may not add to total due to rounding.

TABLE 20
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)
IN PINAL COUNTY FOR THE PERIOD BEGINNING
JULY 1, 2009 AND ENDING JUNE 30, 2010

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2008-09	COLLECTIONS
Utilities	\$478,895,213	20.3%	\$23,944,761
Communications	156,456,586	37.8%	7,822,829
Publishing	3,798,103	4.3%	189,905
Job Printing	1,538,496	12.8%	76,925
Restaurants and Bars	209,826,304	2.2%	10,491,315
Amusements	33,421,935	-0.2%	1,671,097
Rentals of Personal Property	55,254,070	-4.2%	2,762,704
Contracting (All)	476,506,232	-46.2%	23,825,312
Retail	961,372,145	-14.0%	48,069,607
Hotel/Motel	19,419,179	-5.5%	1,068,055
Other Taxable Activities	262,818,596	-4.4%	9,782,355
TOTAL	\$2,659,306,858	-14.5%	\$129,704,864

NUMBER OF ACCOUNTS
FISCAL YEAR 2007-08 THROUGH FISCAL YEAR 2009-10

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2007-08	FY2008-09	FY2009-10
Utilities	70	64	72
Communications	236	227	228
Publishing	28	24	26
Job Printing	33	36	40
Restaurants and Bars	435	433	436
Amusements	101	98	89
Rentals of Personal Property	505	506	471
Contracting (All)	3,077	2,887	2,700
Retail	4,711	4,676	4,533
Hotel/Motel	109	106	110
Other Taxable Activities	1,773	1,756	1,740
TOTAL	11,078	10,813	10,445

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

Figures may not add to total due to rounding.

TABLE 21
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)
IN SANTA CRUZ COUNTY FOR THE PERIOD BEGINNING
JULY 1, 2009 AND ENDING JUNE 30, 2010

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2008-09	COLLECTIONS
Utilities	\$34,952,100	-42.5%	\$1,747,605
Communications	27,196,401	2.9%	1,359,820
Job Printing	452,492	-13.7%	22,625
Restaurants and Bars	43,629,324	1.8%	2,181,466
Amusements	4,873,154	-4.8%	243,658
Rentals of Personal Property	12,854,251	15.6%	642,713
Contracting (All)	61,322,227	-43.3%	3,066,111
Retail	298,236,023	-8.7%	14,911,801
Hotel/Motel	12,498,977	6.2%	687,444
Other Taxable Activities	15,348,361	-20.7%	767,403
TOTAL	\$511,363,311	-16.6%	\$25,630,646

NUMBER OF ACCOUNTS
FISCAL YEAR 2007-08 THROUGH FISCAL YEAR 2009-10

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2007-08	FY2008-09	FY2009-10
Utilities	16	20	21
Communications	146	136	133
Job Printing	11	12	13
Restaurants and Bars	158	137	133
Amusements	24	21	21
Rentals of Personal Property	252	244	235
Contracting (All)	672	633	572
Retail	1,996	1,889	1,894
Hotel/Motel	38	39	41
Other Taxable Activities	902	902	925
TOTAL	4,215	4,033	3,988

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

Figures may not add to total due to rounding.

TABLE 22
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)
IN YAVAPAI COUNTY FOR THE PERIOD BEGINNING
JULY 1, 2009 AND ENDING JUNE 30, 2010

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2008-09	COLLECTIONS
Utilities	\$310,711,277	0.1%	\$15,535,564
Communications	112,692,121	49.9%	5,634,606
Publishing	2,561,778		128,089
Job Printing	4,406,359	-16.7%	220,318
Restaurants and Bars	254,249,745	-3.4%	12,712,487
Amusements	26,234,051	-6.5%	1,311,703
Rentals of Personal Property	46,351,079	-24.8%	2,317,554
Contracting (All)	297,064,151	-42.5%	14,853,208
Retail	1,193,853,383	-10.9%	59,692,669
Hotel/Motel	85,402,220	-9.1%	4,697,122
Other Taxable Activities	266,078,006	2.4%	8,415,722
TOTAL	\$2,599,604,172	-12.1%	\$125,519,041

NUMBER OF ACCOUNTS
FISCAL YEAR 2006-07 THROUGH FISCAL YEAR 2008-09

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2007-08	FY2008-09	FY2009-10
Utilities	74	77	74
Communications	231	227	223
Publishing	54	44	42
Job Printing	65	67	59
Restaurants and Bars	643	641	611
Amusements	100	100	99
Rentals of Personal Property	519	537	493
Contracting (All)	3,066	2,756	2,472
Retail	6,320	6,193	5,956
Hotel/Motel	188	202	199
Other Taxable Activities	2,009	1,968	1,907
TOTAL	13,269	12,812	12,135

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

Figures may not add to total due to rounding.

TABLE 23
TRANSACTION PRIVILEGE, USE AND SEVERANCE TAX COLLECTIONS (1)
IN YUMA COUNTY FOR THE PERIOD BEGINNING
JULY 1, 2009 AND ENDING JUNE 30, 2010

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	CALCULATED NET TAXABLE INCOME	% CHANGE FROM FY 2008-09	COLLECTIONS
Utilities	\$249,107,892	-4.4%	\$12,455,395
Communications	88,159,187	62.1%	4,407,959
Restaurants and Bars	202,069,754	0.2%	10,103,488
Amusements	15,059,407	-0.9%	752,970
Rentals of Personal Property	66,033,513	1.0%	3,301,676
Contracting (All)	274,531,370	-41.2%	13,726,569
Retail	1,135,823,089	-10.4%	56,791,154
Hotel/Motel	47,087,855	-6.4%	2,589,832
Other Taxable Activities	68,129,343	-11.7%	3,320,817
TOTAL	\$2,146,001,411	-12.8%	\$107,449,860

NUMBER OF ACCOUNTS
FISCAL YEAR 2007-08 THROUGH FISCAL YEAR 2009-10

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	FY2007-08	FY2008-09	FY2009-10
Utilities	36	40	41
Communications	199	202	188
Restaurants and Bars	340	356	342
Amusements	46	46	41
Rentals of Personal Property	473	446	430
Contracting (All)	1,042	1,018	969
Retail	3,762	3,651	3,557
Hotel/Motel	104	112	104
Other Taxable Activities	1,611	1,629	1,616
TOTAL	7,613	7,500	7,288

(1) License fees, Jet Fuel, Jet Fuel Use, Timber Severance, NSF, and Telecommunications Service Assistance are not included.

Figures may not add to total due to rounding.

TABLE 24
STATE TRANSACTION PRIVILEGE AND SEVERANCE TAX
DISTRIBUTION TO COUNTIES
FISCAL YEAR 2005-06 THROUGH FISCAL YEAR 2009-10

COUNTY	FY2005-06	FY2006-07	FY2007-08	FY2008-09	FY2009-10	% CHANGE FROM FY 2008-09
Apache	\$5,213,591	\$5,021,042	\$5,074,805	\$4,487,263	\$3,985,796	-11.2%
Coconino	16,990,411	17,652,655	17,161,720	15,301,303	14,350,374	-6.2%
Cochise	12,250,317	13,078,428	12,547,126	11,305,289	10,616,654	-6.1%
Gila	5,347,259	5,375,594	5,370,720	4,696,318	4,225,153	-10.0%
Graham	3,257,813	3,419,080	3,551,781	3,146,715	3,321,780	5.6%
Greenlee	3,918,655	5,112,364	4,893,205	3,078,106	3,337,405	8.4%
La Paz	2,050,126	2,027,860	1,962,689	1,742,796	1,654,035	-5.1%
Maricopa	453,769,970	480,738,808	465,016,355	400,099,771	367,202,478	-8.2%
Mohave	20,349,087	22,051,895	21,046,522	19,087,627	17,295,217	-9.4%
Navajo	10,785,151	10,999,752	10,977,266	9,747,301	8,831,817	-9.4%
Pima	102,619,310	106,931,317	104,069,379	90,391,382	84,769,872	-6.2%
Pinal	21,298,154	25,221,897	24,071,466	20,740,073	18,910,351	-8.8%
Santa Cruz	4,604,423	4,919,731	4,703,843	4,101,137	3,709,093	-9.6%
Yavapai	25,131,601	26,858,064	25,136,960	22,136,382	20,676,049	-6.6%
Yuma	18,208,919	19,276,498	18,833,253	17,115,359	15,593,103	-8.9%
Additional Distribution	-----	7,612	-----	-----	-----	
	\$705,794,789	\$748,692,595	\$724,417,089	\$627,176,822	\$578,479,176	-7.8%

Figures may not add to totals due to rounding.

TABLE 25
STATE TRANSACTION PRIVILEGE AND SEVERANCE TAX
DISTRIBUTION TO MUNICIPALITIES
FISCAL YEAR 2008-09

CITIES	AMOUNT	COUNTY TOTAL	CITIES	AMOUNT	COUNTY TOTAL
APACHE					
Eagar	\$325,465		Scottsdale	\$17,227,374	
Springerville	151,541		Surprise	6,477,364	
St. Johns	283,635	\$760,640	Tempe	12,167,009	
COCHISE			Tolleson	476,858	
Benson	\$347,847		Wickenburg	445,963	
Bisbee	482,142		Youngtown	452,274	\$254,552,008
Douglas	1,261,862		MOHAVE		
Huachuca City	134,295		Bullhead City	\$2,804,057	
Sierra Vista	3,206,209		Colorado City	299,413	
Tombstone	118,151		Kingman	1,897,747	
Willcox	285,102	\$5,835,609	Lake Havasu City	3,921,350	\$8,922,566
COCONINO			NAVAJO		
Flagstaff	\$4,490,087		Holbrook	\$398,116	
Fredonia	81,458		Pinetop-Lakeside	305,650	
Page	521,770		Show Low	725,415	
Williams	230,797	\$5,324,113	Snowflake	362,157	
GILA			Taylor	300,880	
Globe	\$550,024		Winslow	721,746	\$2,813,964
Hayden	65,460		PIMA		
Miami	143,468		Marana	\$1,961,225	
Payson	1,132,337		Oro Valley	2,891,386	
Star Valley	147,211		Sahuarita	1,026,662	
Winkelman	32,510	\$2,071,010	South Tucson	413,160	
GRAHAM			Tucson	38,877,395	\$45,169,827
Pima	\$160,127		PINAL		
Safford	686,888		Apache Junction	\$2,500,241	
Thatcher	333,904	\$1,180,918	Casa Grande	2,382,825	
GREENLEE			Coolidge	600,293	
Clifton	\$190,509		Eloy	816,413	
Duncan	59,589	\$250,098	Florence	1,506,603	
LA PAZ			Kearny	165,044	
Parker	\$220,704		Mammoth	129,305	
Quartzsite	264,188	\$484,892	Maricopa	1,169,323	
MARICOPA			Superior	238,796	\$9,508,842
Avondale	\$5,089,719		SANTA CRUZ		
Buckeye	1,864,430		Nogales	\$1,602,004	
Carefree	270,352		Patagonia	67,515	\$1,669,519
Cave Creek	349,755		YAVAPAI		
Chandler	16,940,657		Camp Verde	\$787,426	
El Mirage	2,352,810		Chino Valley	904,475	
Fountain Hills	1,797,356		Clarkdale	270,058	
Gila Bend	145,303		Cottonwood	796,966	
Gilbert	13,029,141		Dewey-Humboldt	295,743	
Glendale	17,786,351		Jerome	24,217	
Goodyear	3,391,361		Prescott	2,991,924	
Guadalupe	407,656		Prescott Valley	2,463,915	
Litchfield Park	332,289		Sedona	802,470	\$9,337,194
Mesa	32,883,713		YUMA		
Paradise Valley	1,017,342		San Luis	\$1,682,728	
Peoria	10,137,682		Somerton	715,508	
Phoenix	108,304,699		Wellton	144,569	
Queen Creek	1,204,548		Yuma	6,553,759	\$9,096,564

City Distributions are based on relative population.
Figures may not add to total due to rounding.

TOTAL	\$356,977,763	\$356,977,763
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TABLE 26
MUNICIPAL PRIVILEGE TAX COLLECTION PROGRAM
COLLECTIONS BY CITY
FISCAL YEAR 2009-10

CITY	RATE (1) (PERCENT)	COLLECTIONS	CITY	RATE (1) (PERCENT)	COLLECTIONS
Apache Junction (2)		\$23,942	Maricopa	2.0*	\$6,654,344
Benson	2.5*	3,142,974	Miami	2.5*	326,834
Bisbee	2.5*	1,774,238	Oro Valley	2.0*	12,182,432
Buckeye	2.0*	10,180,496	Page	3.0*	6,576,830
Bullhead City (3)		67,202	Paradise Valley	1.65*	7,506,452
Camp Verde	2.0*	2,035,184	Parker	2.0*	1,170,063
Carefree	3.0*	2,674,685	Patagonia	3.0*	128,555
Casa Grande	1.8*	19,984,969	Payson	2.12*	5,919,923
Cave Creek	3.0*	3,458,387	Pima	2.0*	60,639
Chino Valley	3.0*	3,570,168	Pinetop-Lakeside	2.5*	3,256,122
Clarkdale	3.0*	638,862	Prescott Valley	2.33*	10,399,557
Clifton	3.0*	404,447	Quartzsite	2.5*	1,209,917
Colorado City	2.0*	230,437	Queen Creek	2.25*	10,625,873
Coolidge	3.0*	4,730,137	Safford	2.5*	5,260,671
Cottonwood	3.0*	10,742,168	Sahuarita	2.0*	6,968,921
Dewey-Humboldt	1.0*	198,015	Saint Johns	2.0*	531,999
Douglas	2.8*	5,683,115	San Luis	4.0*	7,498,691
Duncan	2.0	81,183	Sedona	3.0*	12,134,503
Eagar	3.0*	816,633	Show Low	2.0	8,341,704
El Mirage	3.0*	5,358,808	Sierra Vista	1.75*	17,230,912
Eloy	3.0*	3,761,055	Snowflake	2.0*	944,559
Florence	2.0*	3,670,203	Somerton	2.5*	1,084,014
Fountain Hills	2.6*	7,613,266	South Tucson	2.5*	1,741,531
Fredonia	4.0*	207,412	Springerville	3.0*	1,567,436
Gila Bend	3.0*	1,070,459	Star Valley	2.0*	286,792
Gilbert	1.5*	46,762,352	Superior	2.0*	282,631
Globe	2.0*	3,475,454	Surprise	2.2*	29,026,361
Goodyear	2.5*	30,815,744	Taylor	2.0*	618,295
Guadalupe	3.0*	1,135,842	Thatcher	2.0*	1,780,892
Hayden	3.0*	1,563,914	Tolleson	2.5*	8,173,902
Holbrook	3.0*	2,453,973	Tombstone	2.5*	678,777
Huachuca City	1.5*	146,616	Wellton	2.5*	611,027
Jerome	3.5*	539,074	Wickenburg	2.2*	2,790,156
Kearny	3.0*	391,677	Willcox	3.0*	2,194,824
Kingman	2.0*	11,648,423	Williams	3.0*	3,620,975
Lake Havasu City	2.0*	13,803,460	Winkelman	3.5*	101,017
Litchfield Park	2.8*	3,021,773	Winslow	3.0*	4,352,225
Mammoth	2.0*	81,639	Youngtown	3.0*	989,913
Marana	2.0*	21,338,827	Yuma	1.7	29,681,514
TOTAL					\$443,808,996

* Jurisdiction levied at more than one rate during the fiscal year. Rate shown is the rate charged on most transactions.

(1) Rate shown is effective January 1, 2010 and may have changed during the remainder of FY 10.

(2) Effective July 1, 2007, Apache Junction no longer participates in the municipal privilege tax collection program. Collections shown are from periods prior to July 1, 2007.

(3) Effective March 1, 2009, Bullhead City no longer participates in the municipal privilege tax collection program. Collections shown include up to March 1, 2009, as well as periods prior to March 1, 2009.

Figures may not add to total due to rounding.

TABLE 27
MUNICIPAL PRIVILEGE TAX COLLECTION PROGRAM
FISCAL YEAR 2005-06 THROUGH FISCAL YEAR 2009-10

FISCAL YEAR	TOTAL COLLECTIONS	NUMBER OF CITIES IN PROGRAM
2005-06	\$551,992,962	78
2006-07	\$619,189,088	78
2007-08	\$581,066,050	77
2008-09	\$506,884,596	76
2009-10	\$443,808,887	76

NON PROGRAM CITY MUNICIPAL PRIVILEGE TAX COLLECTIONS (1)
FISCAL YEAR 2009-10

APACHE JUNCTION	\$9,623,100
AVONDALE	\$29,211,279
BULLHEAD CITY	\$10,070,859
CHANDLER	\$80,107,904
FLAGSTAFF	\$22,892,321
GLENDALE	\$92,770,357
MESA	\$122,748,163
NOGALES	\$5,318,300
PEORIA	\$56,276,937
PHOENIX	\$593,755,547
PRESCOTT	\$11,161,606
SCOTTSDALE	\$126,217,921
TEMPE	\$106,846,000
TUCSON	\$166,572,972

(1) Pursuant to HB 2513, Chapter 154, Second Regular Session, 2010. This is for informational purposes only as reported by the cities. The department does not collect for these cities.

INCOME TAX

The State of Arizona imposes two types of income tax: corporate, which applies to incorporated businesses and certain other entities operating in this state; and individual, which is levied upon those persons who reside in or earn income in the state (*Refer to Table 28*).

CORPORATE INCOME TAX

MAJOR FEATURES

Every corporation doing business in Arizona is required to file a corporate income tax return. Corporations filed returns with the state and made payments of \$413 million during fiscal year 2010 (*Refer to Table 28*).

INDIVIDUAL INCOME TAX

MAJOR FEATURES

For tax year 2007 filed in 2008, approximately 2.6 million individual filers reported Arizona gross income (defined as federal adjusted gross income) totaling more than \$144.9 billion. Individuals with Arizona gross income of more than \$75,000, in the preceding or current year, are required to file Arizona estimated tax payments. An individual can apply any portion of an income tax refund toward the following year's income tax as an estimated payment.

The graduated rate structure for the 2007 tax year ranged from 2.59 percent to a maximum of 4.54 percent on an individual's income over \$150,000 (or joint income over \$300,000).

DISTRIBUTION

State income tax collections are shared with Arizona municipalities in an Urban Revenue Sharing Program. (*Refer to Tables 28 and 29*).

Voluntary taxpayer contributions to Aid to Education Fund, Citizens Clean Elections Fund, Domestic Violence Shelter Fund, Child Abuse Prevention Fund, Arizona Wildlife Fund, Special Olympics Fund, Neighbors Helping Neighbors Fund, Veteran's Donation Fund, National Guard Relief Fund, and political parties are distributed to the appropriate agency, political party or organization (*Refer to Table 29*).

CORPORATE AND INDIVIDUAL INCOME TAX CREDITS

CREDIT	AVAILABLE TO
Agricultural Pollution Control Equipment	Taxpayers that incur expenses during the taxable year to purchase agricultural pollution control equipment.
Agricultural Water Conservation System	Taxpayers that incur expenses to purchase and install an agricultural water conservation system in Arizona.
Clean Elections	For donations made directly to the Clean Elections Fund or a donation made on the tax return.
Contributions to Charities that Provide Assistance to the Working Poor	Individual taxpayers that make cash contributions to certain charities that provide help to the working poor. The credit is \$200 or \$400, depending upon filing status
Corporate Contributions To School Tuition Organizations	Corporate credit that allows taxpayers to make cash contributions to school tuition organizations. The amount of the donation must be pre-approved by the department. There is an annual limit to the aggregate amount of donations made.
Defense Contracting	Taxpayers certified by the Arizona Department of Commerce as a qualified defense contractor for qualified increases in employment.
Employing Arizona National Guard Members	Credit for employers who have an employee that is a member of the Arizona National Guard if the employee is placed on active duty. The credit is \$1,000 for each employee placed on active duty.
Employment of TANF Recipients	Taxpayers that employ recipients of Temporary Assistance for Needy Families (TANF).
Enterprise Zone	Taxpayers whose business is located in an Arizona enterprise zone that have a net increase in qualified employment positions.
Environmental Technology Facility	Taxpayers that incur expenses in constructing a qualified environmental technology manufacturing, producing, or processing facility as described in ARS § 41-1514.02.
Family	A credit for taxpayers below certain income levels, with differing amounts for different household sizes.
Healthy Forest Enterprises	Businesses that operate a healthy forest enterprise may receive a non-refundable credit against corporate and individual income tax liabilities.
Income Taxes Paid to Another State or Country	Taxpayers that paid a net income tax to Arizona and another qualified state or foreign country, on the same income.
Investment in Qualified Small Businesses	Allows a credit for investments in qualified small businesses to individuals.
Increased Excise Taxes	A refundable credit for Arizona residents whose federal adjusted gross income is beneath a certain threshold (\$25,000 or less for Married Filing Joint or Head of Household, or \$12,500 for Married Filing Separately or Single) and who cannot be claimed as a dependent by any other taxpayer to mitigate the increase in transaction privilege tax rate for education.

CREDIT**AVAILABLE TO****Military Family Relief Fund**

Individual taxpayers that make contributions to the fund which helps service members and their families faced with unforeseen expenses when a loved one becomes a casualty of war. The credit is \$200 or \$400, depending upon filing status.

Military Reuse Zone

Taxpayers with a net increase in employment of full-time employees working in a military reuse zone.

**Motion Picture
Productions Costs**

Provides a transferable tax credit against corporate and individual income tax liabilities for motion picture production companies that produce motion pictures completely or partially in Arizona.

Pollution Control

Taxpayers that purchase real or personal property that is used within Arizona in the taxpayer's trade or business to control or prevent pollution.

**Private School
Tuition Organizations**

Individual taxpayers that made contributions to a school tuition organization that provides scholarships or grants to qualified schools. The credit is \$500 or \$1000, depending upon filing status.

Property Tax

A refundable credit for property taxes accrued if certain age and income level conditions are met.

**Public School Extra
Curricular Activity**

Individual taxpayers that make contributions or paid certain fees to public schools in Arizona. The credit is \$200 or \$400, depending upon filing status.

Recycling Equipment

Taxpayers who acquire and place in service recycling equipment in Arizona. This credit was repealed for corporations not individuals.

Research and Development

Corporate taxpayers with an increase in qualifying research and development expenses conducted in Arizona.

School Site Donation

This tax credit is for the donation of real property and improvements to an Arizona school district or Arizona charter school for use as a school or as a site for the construction of a school.

Solar Energy Devices

Individual taxpayers who install a solar energy device in his or her residence located in Arizona.

**Solar Energy Devices –
Commercial & Industrial
Applications**

This credit is available to individuals, corporations and S corporations. The credit is 10% of the cost of the installed device, not to exceed \$25,000 with respect to the same building in the same tax year, or \$50,000 in total credits in any given year.

**Solar Hot Water Heater
Plumbing Stub Outs and
Electric Vehicle Recharge Outlets**

Taxpayers for the installation of solar hot water heater plumbing stub outs and electric vehicle recharge outlets in houses or dwelling units constructed by the taxpayer. The houses or dwelling units must be located in Arizona.

CREDIT**AVAILABLE TO****Taxes Paid for Coal Consumed
in Generating Electrical Power**

Corporate taxpayers that allows a credit equal to 30 percent of the amount paid by the seller or purchaser as transaction privilege tax or use tax for coal sold to the taxpayer that is consumed in the generation of electrical power in Arizona.

Water Conservation System

An individual may qualify for this credit if the taxpayer installed a qualifying water conservation system in the taxpayer's residence located in Arizona.

TABLE 28
INCOME TAX COLLECTIONS
FISCAL YEAR 2005-06 THROUGH FISCAL YEAR 2009-10

SOURCE	FY2005-06	FY2006-07	FY2007-08	FY2008-09	FY2009-10	PERCENT OF
						NET COLLECTIONS IN FY2009-10
<u>Withheld from Wages</u>						
Gross Revenue	\$3,041,031,728	\$3,294,287,540	\$3,344,770,438	\$3,092,546,185	\$3,017,256,893	
Refunds and Charge-offs	(8,992,229)	(19,969,915)	(22,167,786)	(13,229,118)	(10,152,178)	
NET	\$3,032,039,499	\$3,274,317,624	\$3,322,602,653	\$3,079,317,068	\$3,007,104,715	106.0%
<u>Individuals & Fiduciaries</u>						
Gross Revenue	\$1,631,563,811	\$1,677,949,795	\$1,461,050,780	\$967,788,513	\$768,011,214	
Regular Refunds and Charge-offs	(1,012,026,853)	(1,285,344,591)	(1,369,350,067)	(1,471,652,247)	(1,351,901,223)	
Attorney Fees - Ladewig refunds (1)	(5,107,102)	(4,853,277)	(2,575)	0	0	
NET	\$614,429,855	\$387,751,926	\$91,698,139	(\$503,863,734)	(\$583,890,008)	-20.6%
<u>Corporations</u>						
Gross Revenue	\$978,239,759	\$1,070,710,516	\$985,126,064	\$749,268,088	\$650,837,762	
Refunds and Charge-offs	(104,020,287)	(84,540,518)	(200,615,179)	(157,110,835)	(237,644,455)	
NET	\$874,219,472	\$986,169,998	\$784,510,885	\$592,157,253	\$413,193,307	14.6%
Subtotal Net Collections	\$4,520,688,826	\$4,648,239,549	\$4,198,811,676	\$3,167,610,587	\$2,836,408,014	100.0%
Less distributions for:						
Urban Revenue Sharing	\$425,228,927	\$551,230,661	\$684,538,927	\$727,677,400 (3)	\$628,644,630	
Child Abuse Prevention	240,323	250,683	260,062	232,949	220,098	
Veteran's Donation Fund	-----	-----	65,085	300,509	69,746	
Aid to Education	37,991	38,309	107,173	79,933	84,117	
Domestic Violence Shelter	178,520	195,840	196,622	183,973	161,673	
Special Olympics	100,319	106,425	105,085	103,287	98,752	
Wildlife Contributions	212,208	255,738	235,199	226,343	202,627	
Neighbors Helping Neighbors	51,410	53,507	55,421	59,433	52,383	
Clean Elections	4,947,968	6,145,768	6,505,822	6,261,470	5,931,557	
National Guard Relief Fund	-----	-----	264,523	87,491	71,775	
Democratic Party	27,679	31,304	31,539	18,554	14,595	
Libertarian Party	2,436	3,315	2,310	1,918	1,162	
Republican Party	19,190	21,444	18,081	10,573	9,335	
Green Party	0	0	557	684	578	
Subtotal Distributions	\$431,046,971	\$558,332,993	\$692,386,405	\$735,244,518	\$635,563,028	
NET REVENUE TO STATE						
GENERAL FUND	\$4,089,641,855	\$4,089,906,556	\$3,506,425,271	\$2,432,366,069	\$2,200,844,986	
WQARF DISTRIBUTION	\$15,000,000	\$15,000,000	\$15,000,000	\$13,000,000	\$7,000,000	

(1) Attorney fees relating to the Ladewig class action lawsuit were paid from individual income tax refunds.

(2) Corrected figures.

Figures may not add to total due to rounding.

TABLE 29
EXEMPTIONS, DEDUCTIONS AND CREDITS
TAX YEAR 2006 THROUGH TAX YEAR 2009

TAX YEAR	PERSONAL EXEMPTION (2)	BLIND EXEMPTION	AGE 65 AND OVER EXEMPTION	DEPENDENT EXEMPTION	STANDARD DEDUCTION LIMIT (1)	MAXIMUM PROPERTY TAX CREDIT	MAXIMUM FAMILY TAX CREDIT
2006	2,100	1,500	2,100	2,300	4,247/8,494	502	240
2007	2,100	1,500	2,100	2,300	4,373/8,745	502	240
2008	2,100	1,500	2,100	2,300	4,521/9,042	502	240
2009	2,100	1,500	2,100	2,300	4,677/9,354	502	240

(1) Amounts shown are for individual and married-filing-jointly returns.

(2) Beginning with tax year 1997, married filers claiming at least one dependent are entitled to an additional \$2,100 personal exemption.

INDIVIDUAL INCOME TAX CREDITS
TAX YEAR 2006 THROUGH TAX YEAR 2008

CREDIT	TAX YEAR 2006		TAX YEAR 2007		TAX YEAR 2008	
	CLAIMANTS	CREDITS	CLAIMANTS	CREDITS	CLAIMANTS	CREDITS
Agricultural Pollution Control	(1)	(1)	(1)	(1)	4	\$13,524
Agricultural Water Conservation	138	\$1,873,967	134	\$1,851,865	105	\$1,322,254
Alternative Fuel - Non Refundable						
--Neighborhood Electric Vehicles	80	\$67,977	---	---	---	---
Clean Elections	33,046	\$817,591	34,358	\$815,625	33,966	\$773,000
Commercial & Industrial Solar Energy	5	\$18,997	8	\$13,216	46	\$244,663
Contributions to Charities that Provide						
Assistance to the Working Poor	29,202	\$7,939,507	18,280	\$5,860,953	36,568	\$11,059,408
Defense Contracting	0	\$0	0	\$0	0	\$0
Donations to Military Family Relief Fund	---	---	---	---	2,361	\$778,300
Employing National Guard Members	(1)	(1)	(1)	(1)	(1)	(1)
Employment of TANF Recipients	0	\$0	5	\$12,666	0	\$0
Enterprise Zone	197	\$1,629,136	149	\$1,006,150	119	\$716,157
Environmental Technology	(1)	(1)	(1)	(1)	(1)	(1)
Family Tax Credit	472,266	\$7,166,327	518,820	\$6,784,150	501,013	\$5,811,534
Healthy Forest Enterprises	0	\$0	0	\$0	0	\$0
Income Taxes Paid to Other States	34,880	\$124,937,274	27,706	\$105,315,257	31,103	\$78,837,292
Increased Excise Taxes Paid	536,940	\$28,751,332	579,464	\$30,444,007	605,599	\$32,308,185
Investment in Qualified Small Buiness	---	---	73	\$276,742	111	\$395,014
Military Reuse Zone	0	\$0	0	\$0	0	\$0
Motion Picture Production & Infrastructure	0	\$0	4	\$128,165	9	\$267,771
Pollution Control Device	14	\$14,412	10	\$7,962	4	\$2,399
Private School Tuition Organization (3)	73,617	\$51,011,815	76,065	\$54,303,282	78,434	\$55,216,284
Property Tax	13,247	\$4,776,863	16,810	\$5,979,296	15,675	\$5,722,697
Public School Extra Curricular Activity (3)	218,664	\$43,230,433	214,356	\$44,069,896	233,450	\$45,164,366
Recycling Equipment	0	\$0	0	\$0	0	\$0
Research and Development	254	\$3,922,209	209	\$2,998,057	160	\$2,929,220
School Site Donation	89	\$7,812,958	68	\$2,749,005	54	\$312,899
Solar Energy	4,150	\$2,043,051	2,010	\$1,031,811	(2)	(2)
Solar Hot Water Heater &						
Plumbing Stub Outs	6	\$525	0	\$0	6	\$630
Water Conservation Systems	---	---	54	\$31,645	203	\$105,734
Total	1,416,798	\$286,017,976	1,488,586	\$263,681,431	1,538,992	\$242,026,832

(1) Too few claimants to allow release of information without violating confidentiality laws.

(2) Credits claimed for tax years are being reviewed. No data is available at this time.

(3) Data reported is based on donation information provided to the Department of Revenue by the Private School Tuition Organizations and the Public Schools. For the purposes of this report, it is assumed that all credit was used in the tax year.

Figures for all credits shown here are subject to change, due to the verification process.

TABLE 30
RESIDENT INDIVIDUAL INCOME TAX LIABILITY
BY FEDERAL ADJUSTED GROSS INCOME
TAX YEAR 2007 (1)

FEDERAL ADJUSTED GROSS INCOME	# OF FILERS	% OF TOTAL	LIABILITY	% OF TOTAL
Negative Income	44,733	1.85%	\$86,085	0.00%
\$0.01 to \$1,999	51,433	2.12%	20,975	0.00%
\$2,000 to \$5,999	130,833	5.40%	33,285	0.00%
\$6,000 to \$9,999	151,518	6.25%	3,211,329	0.10%
\$10,000 to \$13,999	151,951	6.27%	9,835,010	0.32%
\$14,000 to \$19,999	236,768	9.77%	29,455,457	0.96%
\$20,000 to \$24,999	184,709	7.62%	41,173,240	1.35%
\$25,000 to \$29,999	165,571	6.83%	54,254,188	1.77%
\$30,000 to \$39,999	274,946	11.35%	132,919,428	4.34%
\$40,000 to \$49,999	201,704	8.32%	137,655,616	4.50%
\$50,000 to \$74,999	335,464	13.84%	333,219,947	10.89%
\$75,000 to \$99,999	201,892	8.33%	314,471,725	10.28%
\$100,000 to \$199,999	222,844	9.20%	641,044,472	20.95%
\$200,000 to \$499,999	53,769	2.22%	451,392,148	14.75%
\$500,000 to \$999,999	9,585	0.40%	230,868,334	7.55%
\$1,000,000 to \$4,999,999	4,751	0.20%	344,748,118	11.27%
\$5,000,000 and over	575	0.02%	334,925,937	10.95%
TOTAL	2,423,046	100.00%	\$3,059,315,294	100.00%

(1) This summary combines all liability reported on the Arizona Form 140 and 140A Individual Income tax returns for tax year 2007, filed from January 2008 forward.

TABLE 31
NONRESIDENT/ PART YEAR RESIDENT INDIVIDUAL INCOME TAX
LIABILITY BY FEDERAL ADJUSTED GROSS INCOME
TAX YEAR 2007 (1)

ARIZONA PORTION OF FEDERAL ADJUSTED GROSS INCOME	# OF FILERS	% OF TOTAL	LIABILITY	% OF TOTAL
Negative Income	24,444	11.56%	109,059	0.06%
\$0.01 to \$1,999	18,380	8.69%	11,131	0.01%
\$2,000 to \$5,999	31,537	14.92%	72,107	0.04%
\$6,000 to \$9,999	24,473	11.58%	845,695	0.46%
\$10,000 to \$13,999	19,024	9.00%	1,879,158	1.02%
\$14,000 to \$19,999	21,407	10.13%	4,084,767	2.21%
\$20,000 to \$24,999	12,938	6.12%	4,019,722	2.17%
\$25,000 to \$29,999	9,520	4.50%	3,998,267	2.16%
\$30,000 to \$39,999	13,346	6.31%	7,630,751	4.12%
\$40,000 to \$49,999	8,827	4.18%	7,166,416	3.87%
\$50,000 to \$74,999	12,298	5.82%	14,981,578	8.09%
\$75,000 to \$99,999	5,438	2.57%	10,362,309	5.60%
\$100,000 to \$199,999	6,333	3.00%	21,834,307	11.79%
\$200,000 to \$499,999	2,302	1.09%	21,969,158	11.87%
\$500,000 to \$999,999	611	0.29%	15,140,858	8.18%
\$1,000,000 to \$4,999,999	441	0.21%	32,747,806	17.69%
\$5,000,000 and over	82	0.04%	38,278,886	20.68%
TOTAL	211,401	100.00%	\$185,131,975	100.00%

(1) This summary combines all liability reported on the Arizona Form 140NR and 140PY Individual Income tax returns for tax year 2006, filed from January 2007 forward.

TABLE 32
CORPORATE INCOME TAX
CORPORATE TAXPAYER BY SIZE OF TAX LIABILITY
TAX YEAR 2007 (1)

CORPORATE TAX LIABILITY	# OF FILERS	% OF TOTAL	LIABILITY	% OF TOTAL
\$50 Minimum	35,127	69.5%	\$1,671,764	0.2%
\$50.01 to \$99.99	1,232	2.4%	87,376	0.0%
\$100 to \$999.99	5,520	10.9%	2,224,044	0.3%
\$1,000 to \$4,999.99	4,251	8.4%	10,494,487	1.5%
\$5,000 to \$9,999.99	1,444	2.9%	9,981,499	1.4%
\$10,000 to \$49,999.99	1,701	3.4%	36,835,500	5.3%
\$50,000 to \$99,999.99	448	0.9%	30,696,349	4.4%
\$100,000 to \$499,999.99	580	1.1%	115,654,400	16.7%
\$500,000 to \$999,999.99	108	0.2%	67,182,961	9.7%
\$1,000,000 to \$15,000,000	127	0.3%	417,568,775	60.3%
TOTAL	50,538	100.0%	\$692,397,155	100.0%

CORPORATE INCOME TAX CREDITS
TAX YEAR 2007

CREDIT TYPE	# OF FILERS	CREDIT USED	CARRYFORWARD AVAILABLE
Agricultural Pollution Control Equipment	0	\$0	\$0
Clean Elections	227	\$2,615	\$0
Coal Used for Electric Generation	4	\$1,057,873	\$2,529,562
Commercial & Industrial Solar Energy	*	*	*
Contributions to School Tuition Organizations	59	\$10,542,791	\$552,516
Defense Contracting	*	*	*
Employing National Guard Members	*	*	*
Employment of TANF Recipients	11	\$45,064	\$2,914
Enterprise Zone	101	\$6,910,439	\$3,148,649
Environmental Technology	*	*	*
Healthy Forest Enterprises	*	*	*
Military Reuse Zone	*	*	*
Motion Picture Production/Infrastructure	8	\$1,209,442	\$5,613,304
Pollution Control Equipment	14	\$2,298,605	\$1,977,104
Research & Development	207	\$56,019,870	\$724,017,572
School Site Donation	0	\$0	\$0
Solar Hot Water Heater Plumbing Stub-Outs	0	\$0	\$0
Water Conservation	0	\$0	\$0
TOTAL (2)	610	\$87,869,424	\$751,337,214

(1) This summary combines all liability on the Arizona Form 120 Corporate Income Tax returns for tax year 2007 filed from January 2008 forward.

(2) Total is for all credits, including those for which information cannot be divulged individually.

* The single asterisk indicates that no information can be released due to confidentiality laws in Arizona.

Figures may not add to total due to rounding.

TABLE 33
AVERAGE FEDERAL ADJUSTED GROSS INCOME
AND AVERAGE TAX LIABILITY PER RETURN
BY COUNTY FOR TAX YEAR 2007

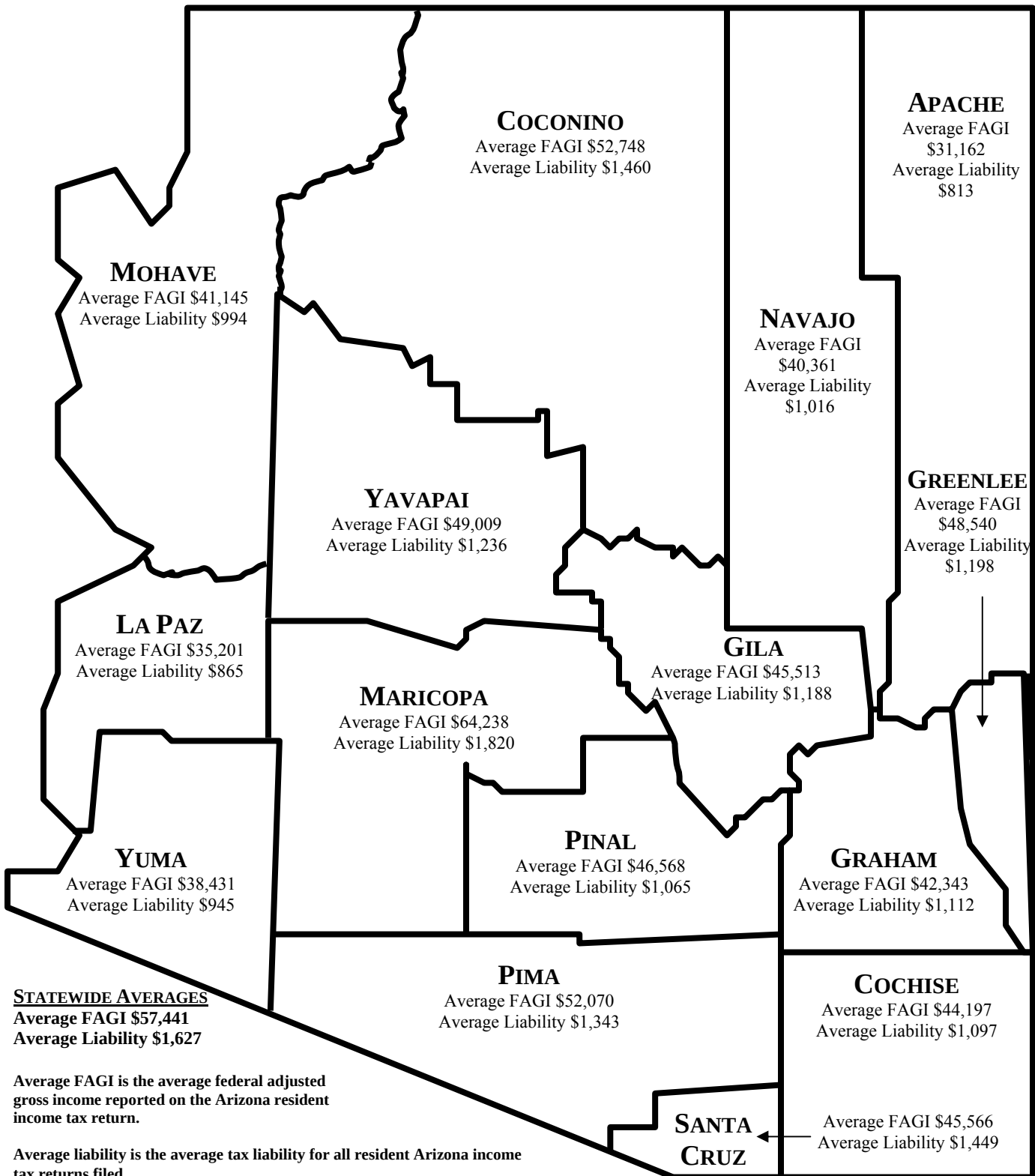


TABLE 34
URBAN REVENUE SHARING
FISCAL YEAR 2005-06 THROUGH FISCAL YEAR 2009-10

FISCAL YEAR	AMOUNT
2005-06	\$425,228,927
2006-07	\$551,230,661
2007-08	\$684,538,927
2008-09	\$727,677,400 (1)
2009-10	\$628,644,630

(1) Pursuant to HB 2871, Chapter 351, 2nd Regular Session, 2006, the sum of \$727,677,400 was appropriated from the state general fund, of which \$10,549,800 was appropriated as repayment to incorporated cities and towns as distributed in FY04.

TABLE 35
DISTRIBUTION OF INCOME TAX AS URBAN REVENUE SHARING
TO MUNICIPALITIES IN FISCAL YEAR 2009-10

CITIES BY COUNTY	AMOUNT	% OF TOTAL	CITIES BY COUNTY	AMOUNT	% OF TOTAL
APACHE			Queen Creek	\$2,119,220	0.34%
Eagar	\$572,605	0.09%	Scottsdale	30,308,948	4.82%
St. Johns	499,012	0.08%	Surprise	11,395,938	1.81%
Springerville	266,613	0.04%	Tempe	21,406,004	3.41%
COCHISE			Tolleson	838,960	0.13%
Benson	611,984	0.10%	Wickenburg	784,604	0.12%
Bisbee	848,256	0.13%	Youngtown	795,708	0.13%
Douglas	2,220,055	0.35%	MOHAVE		
Huachuca City	236,272	0.04%	Bullhead City	4,933,312	0.78%
Sierra Vista	5,640,838	0.90%	Colorado City	526,771	0.08%
Tombstone	207,868	0.03%	Kingman	3,338,797	0.53%
Willcox	501,594	0.08%	Lake Havasu City	6,899,019	1.10%
COCONINO			NAVAJO		
Flagstaff	7,899,626	1.26%	Holbrook	700,424	0.11%
Fredonia	193,666	0.03%	Pinetop-Lakeside	537,745	0.09%
Page	917,976	0.15%	Show Low	1,276,257	0.20%
Williams	406,053	0.06%	Snowflake	637,160	0.10%
GILA			Taylor	529,353	0.08%
Globe	967,683	0.15%	Winslow	1,269,802	0.20%
Hayden	193,666	0.03%	PIMA		
Miami	252,411	0.04%	Marana	3,450,478	0.55%
Payson	1,992,175	0.32%	Oro Valley	5,086,954	0.81%
Star Valley	258,996	0.04%	Sahuarita	1,806,256	0.29%
Winkelman	193,666	0.03%	South Tucson	726,892	0.12%
GRAHAM			Tucson	68,398,869	10.88%
Pima	262,930	0.04%	PINAL		
Safford	1,208,474	0.19%	Apache Junction	4,398,795	0.70%
Thatcher	587,453	0.09%	Casa Grande	4,192,218	0.67%
GREENLEE			Coolidge	1,056,124	0.17%
Clifton	335,171	0.05%	Eloy	1,436,354	0.23%
Duncan	193,666	0.03%	Florence	2,650,639	0.42%
LA PAZ			Kearny	290,370	0.05%
Parker	423,482	0.07%	Mammoth	227,493	0.04%
Quartzsite	464,798	0.07%	Maricopa	2,057,247	0.33%
MARICOPA			Superior	420,126	0.07%
Avondale	8,954,588	1.42%	SANTA CRUZ		
Buckeye	3,280,181	0.52%	Nogales	2,818,482	0.45%
Carefree	475,643	0.08%	Patagonia	193,666	0.03%
Cave Creek	615,341	0.10%	YAVAPAI		
Chandler	29,804,513	4.74%	Camp Verde	1,385,356	0.22%
El Mirage	4,139,412	0.66%	Chino Valley	1,591,287	0.25%
Fountain Hills	3,162,174	0.50%	Clarkdale	475,127	0.08%
Gila Bend	255,639	0.04%	Cottonwood	1,402,140	0.22%
Gilbert	22,922,794	3.65%	Dewey-Humboldt	520,315	0.08%
Glendale	31,292,382	4.98%	Jerome	193,666	0.03%
Goodyear	5,966,583	0.95%	Prescott	5,263,835	0.84%
Guadalupe	717,208.82	0.11%	Prescott Valley	4,334,885	0.69%
Litchfield Park	584,612.34	0.09%	Sedona	1,411,823	0.22%
Mesa	57,853,897.93	9.20%	YUMA		
Paradise Valley	1,789,858.84	0.28%	San Luis	2,960,504	0.47%
Peoria	17,835,711.59	2.84%	Somerton	1,258,827	0.20%
Phoenix	190,545,663.34	30.31%	Wellton	254,348	0.04%
			Yuma	11,530,342	1.83%
			TOTAL	\$628,644,630	100.00%

City distributions are based on relative population
Figures may not add to total due to rounding

PROPERTY TAX

In Arizona, property taxation is an "ad valorem" tax (ad valorem, meaning "according to value"). The tax is calculated from two different bases: full cash value (market value) and limited value (i.e., statutorily-controlled value). The full cash value is used to calculate tax rates to pay for voter-initiated bonds, overrides, and special district levies (*Refer to Table 37*). Taxes based upon the limited value provide revenues to maintain the basic operations of state, county and city government, schools, and other public entities (*Refer to Table 36*). Limited values cannot exceed the full cash value of each property. Taxes calculated on the limited value, called primary taxes, are added to those derived from the full cash value, or secondary taxes, to produce the total annual tax bill. All taxable property in Arizona is classified according to its actual use. Each classification is assigned a specific assessment ratio prescribed by law, which is multiplied by the full cash and limited values to produce an assessed value (See Figure 1). The assessed value is the basis for calculating tax bills.

GENERAL PROPERTY TAX

ADMINISTRATION

The duties of valuing property for tax purposes are divided between the department and the fifteen county assessors' offices. The department values utilities, airlines, railroads, mines, telecommunication companies, and other geographically-dispersed properties (Centrally Valued Properties). The values for those properties the department appraises are transmitted to the County Boards of Supervisors for entry upon the county tax rolls for levy and collection of property taxes.

The county assessors, using the appraisal standards, guidelines and manuals the department adopted, are responsible for the appraisal and assessment of other classes of property, including residential, commercial, and agricultural properties (Locally Assessed Properties).

Appeals of valuations or classifications for locally assessed properties originate with the property owner's petition for review filed with the county assessor. Subsequent appeals may be filed with either the local County Board of Equalization or the

State Board of Equalization or the Arizona Tax Court, a division of the Maricopa County Superior Court.

TAX COLLECTION AND DISTRIBUTION

County treasurers collect all property taxes (except those assessed upon airline flight properties and private rail car companies) and distribute receipts to all taxing entities. The department collects taxes levied on airline flight property and private rail cars and deposits the taxes with the Arizona State Treasurer. Taxes on airline flight properties and private rail car companies are levied at the average state tax rate. This rate is derived by dividing the total of all of the levies in the state by the total net assessed value in the state. This calculation produces the weighted average of all of the levies in the state and is referred to as the "average state tax rate."

EQUALIZATION

The department's primary tool in evaluating assessors' assessment performance is its sales ratio study, which compares values established by the county assessors with sales prices of recently sold properties. These studies are performed several times each year by county, type of property, and market area.

Sales ratios are derived by dividing full cash values by sales prices of recently sold properties. The median ratio is the middle ratio in a sorted (low to high) array of sales ratios; 50% of the ratios lie above the median and 50% fall below it. The median ratio is the most commonly used.

The sales ratio studies include coefficients of dispersion which are a measure of how all taxpayers are treated. Coefficient of dispersion targets are currently 25 % for vacant land and commercial properties, 15 % for residential properties in Maricopa and Pima counties, and 20 % on residential properties in all other counties. Lower coefficients of dispersion indicate greater equity in property assessments.

Centrally Valued Properties

The Centrally Valued Properties Unit is responsible for the annual valuation of 13 industries for ad valorem property tax purposes.

Generally, these are large, complex properties which are often located in more than one county and/or in more than one state. Values determined for such properties are apportioned to the individual taxing jurisdictions. They are referred to as centrally valued because they are valued by the department rather than the 15 county assessors.

The assessment and appeals calendar for centrally valued properties coincides with the calendar for locally assessed properties.

Figure 1

Class	Legal Classification	Assessment Ratio
1.1	Mines	21%
1.3-1.7, 1.11	Utilities	21%
1.12	Commercial Real	21%
1.13	Commercial Personal	First \$66,440 exempt; 21% on the remainder
2R	Agricultural Real; Vacant Land	16%
2P	Agricultural Personal	First \$66,440 exempt; 16% on the remainder
3	Residential	10%
4	Rental Residential	10%
5	Railroads, Airlines	17%
6	Historic Property; Foreign Trade Zones; Qualified Environmental Technology Facilities	5%
7	Commercial Historic	Combination 1% and 21%
8	Rental Residential Historic	Combination 1% and 10%
9	Improvements on government property	1%

INDUSTRIES VALUED BY THE DEPARTMENT

Industry	Number of Companies		
	2008	2009	2010
Airlines (Flight Property).....	30	29	29
Electric & Gas*			
Generation	35	35	36
Transmission and Distribution.....	29	29	29
Mines (non-producing)	1	1	1
Mines (producing).....	33	35	35
Pipelines (Gas Transmission)	8	8	8
Private Rail Cars	271	264	260
Producing Oil & Gas Interests	3	3	3
Railroads	11	11	11
Telecommunications	73	66	67
Water Utilities.....	331	328	326
Total	825	809	805

* Includes Salt River Project

TABLE 36
STATE OF ARIZONA
TAX YEAR 2010 PRIMARY PROPERTY TAX LEVIES

TAX AUTHORITY	NET ASSESSED VALUATION	STATE	COUNTY	CITIES and TOWNS	COMMUNITY COLLEGES	SCHOOLS	ALL OTHER	TOTAL	PRIMARY RATE
APACHE	\$503,365,682	\$1,793,995	\$2,210,782	\$0	\$0	\$12,377,734	\$0	\$16,382,511	\$3
COCHISE	\$1,042,041,186	\$3,771,832	\$27,380,674	\$2,278,564	\$16,655,986	\$40,153,802	\$0	\$90,240,858	\$9
COCONINO	\$1,920,050,800	\$7,449,835	\$7,589,961	\$5,851,734	\$6,436,010	\$59,529,288	\$0	\$86,856,828	\$5
GILA	\$568,461,573	\$2,025,997	\$23,818,540	\$2,067,505	\$3,398,263	\$17,905,097	\$0	\$49,215,402	\$9
GRAHAM	\$217,455,207	\$775,010	\$3,942,898	\$212,293	\$4,647,670	\$5,171,569	\$0	\$14,749,440	\$7
GREENLEE	\$269,441,653	\$960,290	\$2,072,715	\$211,989	\$0	\$5,643,556	\$0	\$8,888,550	\$3
LA PAZ	\$225,558,163	\$803,889	\$4,198,991	\$0	\$3,383,372	\$4,435,485	\$0	\$12,821,737	\$6
MARICOPA	\$46,842,818,990	\$186,918,565	\$492,544,015	\$218,149,391	\$371,276,183	\$1,445,595,488	\$0	\$2,714,483,642	\$6
MOHAVE	\$2,321,464,632	\$8,359,312	\$34,330,879	\$4,096,228	\$18,260,641	\$67,066,315	\$0	\$132,113,375	\$6
NAVAJO	\$1,059,004,850	\$3,794,811	\$5,900,775	\$371,761	\$11,975,227	\$30,865,755	\$0	\$52,908,329	\$5
PIMA	\$8,939,647,260	\$32,093,371	\$296,197,333	\$12,113,357	\$87,206,259	\$353,430,949	\$0	\$781,041,269	\$9
PINAL	\$2,562,246,078	\$9,134,973	\$102,574,088	\$16,060,653	\$37,665,018	\$80,086,963	\$0	\$245,521,695	\$10
SANTA CRUZ	\$411,470,857	\$1,469,566	\$11,609,650	\$0	\$287,618	\$19,864,506	\$0	\$33,231,340	\$8
YAVAPAI	\$3,187,559,879	\$11,390,998	\$43,108,560	\$1,715,672	\$38,397,561	\$80,989,674	\$0	\$175,602,465	\$6
YUMA	\$1,301,330,388	\$4,637,942	\$22,681,316	\$10,299,712	\$19,519,956	\$38,858,431	\$0	\$95,997,357	\$7
TOTAL STATE	\$71,371,917,198	\$275,380,386	\$1,080,161,177	\$273,428,859	\$619,109,764	\$2,261,974,612	\$0	\$4,510,054,798	6.32
AVERAGE STATE PRIMARY TAX RATE PER \$100				6.32					

TAX YEAR 2009 PRIMARY PROPERTY TAX LEVIES

TAX AUTHORITY	NET ASSESSED VALUATION	STATE	COUNTY	CITIES and TOWNS	COMMUNITY COLLEGES	SCHOOLS	ALL OTHER	TOTAL	PRIMARY RATE
APACHE	\$480,466,523	\$1,588,422	\$2,145,763	\$0	\$0	\$13,158,400	\$0	\$16,892,585	3.52
COCHISE	\$986,677,834	\$3,387,731	\$26,072,962	\$2,201,132	\$15,860,846	\$37,987,754	\$0	\$85,510,425	8.67
COCONINO	\$1,840,775,046	\$6,591,011	\$7,313,399	\$5,682,727	\$6,201,571	\$50,592,167	\$0	\$76,380,875	4.15
GILA	\$590,487,639	\$1,952,152	\$22,143,286	\$1,985,767	\$3,117,103	\$19,308,659	\$0	\$48,506,967	8.21
GRAHAM	\$221,874,583	\$733,517	\$3,450,150	\$202,816	\$3,987,086	\$8,352,492	\$0	\$16,726,061	7.54
GREENLEE	\$485,530,992	\$1,605,166	\$1,450,175	\$211,920	\$0	\$7,994,745	\$0	\$11,262,006	2.32
LA PAZ	\$209,757,376	\$693,458	\$3,958,961	\$0	\$3,176,146	\$5,016,083	\$0	\$12,844,648	6.12
MARICOPA	\$49,675,117,156	\$188,099,373	\$492,582,709	\$206,181,627	\$359,942,153	\$1,527,406,212	\$0	\$2,774,212,074	5.58
MOHAVE	\$2,533,064,495	\$8,374,311	\$32,010,336	\$4,910,186	\$17,205,955	\$83,111,861	\$0	\$145,612,649	5.75
NAVAJO	\$998,764,550	\$3,319,408	\$5,587,089	\$362,629	\$11,337,976	\$33,644,942	\$0	\$54,252,044	5.43
PIMA	\$8,985,711,830	\$29,896,925	\$297,723,590	\$11,452,157	\$84,070,000	\$349,796,607	\$0	\$772,939,279	8.60
PINAL	\$2,880,540,107	\$9,526,482	\$93,179,452	\$15,021,222	\$39,751,453	\$102,308,951	\$0	\$259,787,560	9.02
SANTA CRUZ	\$389,942,563	\$1,291,980	\$11,291,178	\$0	\$0	\$19,513,132	\$0	\$32,096,290	8.23
YAVAPAI	\$3,274,078,347	\$10,826,536	\$42,045,714	\$1,689,549	\$36,833,381	\$85,216,423	\$0	\$176,611,603	5.39
YUMA	\$1,223,205,142	\$4,043,916	\$21,509,071	\$9,783,493	\$18,521,772	\$43,981,999	\$0	\$97,840,251	8.00
TOTAL STATE	\$74,775,994,183	\$271,930,388	\$1,062,463,835	\$259,685,225	\$600,005,442	\$2,387,390,427	\$0	\$4,581,475,317	6.13
AVERAGE STATE PRIMARY TAX RATE PER \$100				6.13					

NOTE: Some increase/decrease due to reporting tax levies in different authorities than in previous years.

ARIZONA DEPARTMENT OF REVENUE 2010 ANNUAL REPORT

TABLE 37
STATE OF ARIZONA
TAX YEAR 2010 SECONDARY PROPERTY TAX LEVIES

TAX AUTHORITY	NET ASSESSED VALUATION	STATE	COUNTY	CITIES and TOWNS	COMMUNITY COLLEGES	SCHOOLS	ALL OTHER	TOTAL	SECONDARY RATE
APACHE	\$541,020,129	\$0	\$7,875,078	\$0	\$1,183,211	\$3,140,033	\$5,438,098	\$17,636,420	3.26
COCHISE	\$1,111,756,015	\$0	\$4,949,764	\$178,528	\$0	\$5,383,270	\$9,747,494	\$20,259,056	1.82
COCONINO	\$2,053,368,455	\$0	\$14,082,008	\$7,228,554	\$1,962,851	\$20,284,344	\$18,320,873	\$61,878,630	3.01
GILA	\$600,837,768	\$0	\$1,802,806	\$145,000	\$0	\$5,011,316	\$7,307,825	\$14,266,947	2.37
GRAHAM	\$242,900,116	\$0	\$343,133	\$0	\$0	\$1,769,745	\$558,243	\$2,671,121	1.10
GREENLEE	\$269,703,589	\$0	\$470,655	\$0	\$0	\$1,547,276	\$38,921	\$2,056,852	0.76
LA PAZ	\$245,133,007	\$0	\$245,133	\$0	\$745,940	\$1,451,976	\$4,469,020	\$6,912,069	2.82
MARICOPA	\$49,707,952,123	\$0	\$91,764,578	\$338,512,479	\$89,482,591	\$970,433,144	\$196,383,282	\$1,686,576,074	3.39
MOHAVE	\$2,526,548,121	\$0	\$25,199,705	\$0	\$0	\$19,947,569	\$27,649,280	\$72,796,554	2.88
NAVAJO	\$1,116,355,302	\$0	\$6,510,252	\$0	\$0	\$13,837,832	\$15,484,828	\$35,832,912	3.21
PIMA	\$9,342,561,193	\$0	\$125,524,063	\$24,506,213	\$10,215,925	\$144,172,697	\$81,064,985	\$385,483,883	4.13
PINAL	\$2,673,415,335	\$0	\$7,973,982	\$3,993,230	\$3,085,121	\$50,135,458	\$29,121,468	\$94,309,259	3.53
SANTA CRUZ	\$442,659,975	\$0	\$2,759,623	\$0	\$0	\$4,046,851	\$7,507,210	\$14,313,684	3.23
YAVAPAI	\$3,350,111,921	\$0	\$12,745,719	\$1,579,609	\$5,235,677	\$20,814,092	\$42,345,699	\$82,720,796	2.47
YUMA	\$1,418,967,607	\$0	\$13,973,903	\$0	\$4,369,550	\$15,477,612	\$1,093,095	\$34,914,160	2.46
TOTAL STATE	\$75,643,290,656	\$0	\$316,220,402	\$376,143,613	\$116,280,866	\$1,277,453,215	\$446,530,321	\$2,532,628,417	3.35

AVERAGE STATE SECONDARY TAX RATE PER \$100	3.35
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TAX YEAR 2009 SECONDARY PROPERTY TAX LEVIES

TAX AUTHORITY	NET ASSESSED VALUATION	STATE	COUNTY	CITIES and TOWNS	COMMUNITY COLLEGES	SCHOOLS	ALL OTHER	TOTAL	SECONDARY RATE
APACHE	\$524,950,227	\$0	\$7,662,028	\$0	\$1,827,352	\$3,137,968	\$5,305,935	\$17,933,283	3.42
COCHISE	\$1,060,241,909	\$0	\$4,784,800	\$174,725	\$0	\$9,256,921	\$9,352,211	\$23,568,657	2.22
COCONINO	\$2,155,851,009	\$0	\$9,382,936	\$7,631,176	\$1,935,954	\$16,709,591	\$18,809,715	\$54,469,372	2.53
GILA	\$649,743,734	\$0	\$1,949,231	\$258,444	\$0	\$4,218,588	\$7,869,124	\$14,295,387	2.20
GRAHAM	\$260,032,536	\$0	\$322,670	\$0	\$0	\$3,298,036	\$684,033	\$4,304,739	1.66
GREENLEE	\$485,792,424	\$0	\$870,015	\$0	\$0	\$1,737,876	\$40,748	\$2,648,639	0.55
LA PAZ	\$244,805,893	\$0	\$244,806	\$0	\$789,499	\$1,513,940	\$4,094,243	\$6,642,488	2.71
MARICOPA	\$57,984,051,718	\$0	\$98,789,663	\$405,985,700	\$92,685,846	\$988,301,729	\$207,472,531	\$1,793,235,469	3.09
MOHAVE	\$3,058,629,631	\$0	\$30,540,449	\$0	\$0	\$24,231,734	\$30,694,888	\$85,467,071	2.79
NAVAJO	\$1,100,568,483	\$0	\$6,410,236	\$0	\$0	\$13,590,967	\$16,122,090	\$36,123,293	3.28
PIMA	\$9,860,980,900	\$0	\$123,491,571	\$24,987,501	\$13,943,427	\$148,126,009	\$77,890,939	\$388,439,447	3.94
PINAL	\$3,398,761,197	\$0	\$9,676,334	\$2,901,731	\$2,841,364	\$54,973,151	\$29,849,160	\$100,241,740	2.95
SANTA CRUZ	\$417,498,419	\$0	\$2,868,608	\$0	\$0	\$4,046,107	\$7,979,384	\$14,894,099	3.57
YAVAPAI	\$3,824,935,514	\$0	\$12,653,942	\$1,646,680	\$5,228,333	\$20,379,018	\$44,814,851	\$84,722,824	2.22
YUMA	\$1,477,891,304	\$0	\$14,609,595	\$0	\$4,675,211	\$11,308,151	\$923,062	\$31,516,019	2.13
TOTAL STATE	\$86,504,734,898	\$0	\$324,256,884	\$443,585,957	\$123,926,986	\$1,304,829,786	\$461,902,914	\$2,658,502,527	3.07

AVERAGE STATE SECONDARY TAX RATE PER \$100	3.07
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NOTE: Some increase/decrease due to reporting tax levies in different authorities than in previous years.

ARIZONA DEPARTMENT OF REVENUE 2010 ANNUAL REPORT

TABLE 38
AVERAGE PROPERTY TAX RATES
PER \$100 OF ASSESSED VALUATION
TAX YEAR 2007 THROUGH TAX YEAR 2010

	2007		2008	
	PRIMARY	SECONDARY	PRIMARY	SECONDARY
School Districts	\$3.83	\$1.70	\$3.53	\$1.44
Counties	1.59	0.40	1.48	0.37
State	0.04	0.00	0.03	0.00
Cities and Towns	0.37	0.51	0.35	0.50
Community Colleges	0.91	0.15	0.85	0.15
Special Districts	0.00	0.53	0.00	0.53
	\$6.75	\$3.29	\$6.24	\$2.99
TOTAL	\$10.04		\$9.23	
	2009		2010	
	PRIMARY	SECONDARY	PRIMARY	SECONDARY
School Districts	\$3.19	\$1.51	\$3.17	\$1.69
Counties	1.42	0.37	1.51	0.42
State	0.36	0.00	0.39	0.00
Cities and Towns	0.35	0.51	0.38	0.50
Community Colleges	0.80	0.14	0.87	0.15
Special Districts	0.00	0.53	0.00	0.59
	\$6.13	\$3.07	\$6.32	\$3.35
TOTAL	\$9.20		\$9.67	

School district rate includes Unorganized School Districts.
 Figures may not add to total due to rounding.

ALL OTHER SOURCES OF REVENUE

Bingo

Estate Tax

Luxury Tax

Unclaimed Property & Escheated Estates

Waste Tire Fees

BINGO

The tax on state licensed bingo operations is based on a multi-tiered licensing structure. There are three classes of bingo licenses, each of which has a different tax rate.

Each licensee's tax rate is based on bingo receipts. Class A licensees, whose gross receipts do not exceed \$15,600 per year, are taxed at 2.5 percent of their adjusted gross receipts. (Adjusted gross receipts are the monies left after paying prizes.) Class B and Class C licensees are taxed on their gross receipts. Class B licensees, whose gross receipts do not exceed \$300,000, are taxed at 1.5 percent of their gross receipts. Class C licensees, whose gross receipts exceed \$300,000 per year, are taxed at 2 percent of their gross receipts from bingo.

All taxes collected are deposited in the state general fund (*Refer to Table 39*).

TABLE 39
BINGO COLLECTIONS
FISCAL YEAR 2005-06 THROUGH FISCAL YEAR 2009-10

	Fiscal Year	Amount			
	2005-06	\$623,480			
	2006-07	\$619,387			
	2007-08	\$558,330			
	2008-09	\$531,588			
	2009-10	\$520,655			

	BINGO COLLECTIONS				
	FY2005-06	FY2006-07	FY2007-08	FY2008-09	FY2009-10
Licenses	\$18,788	\$18,092	\$18,393	\$19,735	\$19,718
Proceeds	599,400	596,773	539,576	510,177	499,206
Penalty, Interest and Miscellaneous	5,292	4,522	361	1,676	1,731
TOTAL	\$623,480	\$619,387	\$558,330	\$531,588	\$520,655

ESTATE TAX

Arizona's Estate Tax was effectively repealed January 1, 2005, following the IRS's elimination of the Federal State Death Tax Credit. No Arizona estate tax is owed on the estate of a person who dies after 2004 and there is no requirement to file an Arizona Form 76. We will continue to receive late original returns and amended tax returns for decedents with a date of death prior to 2005 as it can take years to settle a complicated estate.

The Arizona estate tax is a tax on the transfer of property or interest in property that takes effect upon the owner's death. The estate tax is imposed on the net taxable estate before distribution, differing from the inheritance tax, which is imposed on the portion of the estate received by a beneficiary. Arizona does not impose inheritance or gift taxes. Estate taxes are deposited into the state general fund. (*Refer to Table 40.*)

The Special Taxes Unit of the Arizona Department of Revenue is responsible for the collection of estate taxes and the processing of estate tax returns and reports of personal representative of decedent.

Only estates that are required to file a federal estate tax return are required to file an Arizona Estate Tax return.

The Arizona estate tax for an Arizona resident decedent is an amount equal to the federal credit for state death taxes. If the decedent owned real or tangible personal property located in another state, the Arizona tax is reduced by either the amount of death tax paid to the other state or a prorated share of the federal credit, whichever is less.

The Arizona estate tax for a nonresident decedent is a prorated share of the federal credit, based on the value of real property and tangible personal property having actual situs in Arizona this year.

TABLE 40
ESTATE TAX COLLECTIONS
FISCAL YEAR 2005-06 THROUGH FISCAL YEAR 2009/10

Fiscal Year	Collections	Refunds	Net
2005-06	\$13,275,666	\$1,592,063	\$11,683,603
2006-07	\$860,033	\$1,410,797	(\$550,763)
2007-08	\$414,711	\$94,508	\$320,203
2008-09	\$234,065	\$23,693	\$210,372
2009-10	\$363,755	\$0	\$363,755

Figures may not add to total due to rounding.

LUXURY TAX

Arizona's luxury tax applies to cigarettes, other tobacco products, and alcoholic beverages. The department is responsible for issuing tobacco licenses and stamps and collecting taxes on tobacco products and alcoholic beverages. The department also investigates and confiscates contraband tobacco products. During the 2010 fiscal year, over \$398 million was received in luxury tax collections.

Of the monies collected per the Tobacco Products Referendum (Prop 303), \$42.1 million was distributed to the Prop 204 Protection Account, \$27.1 million to the Medically Needy Account, \$20.1 million for Emergency Health Services, \$5.0 million for Health Research, and \$2.0 million for Health Education. Due to the passage of the Tobacco Tax and Health Care Initiative in November 1994, \$49.9 million was distributed to the Medically Needy Fund, \$15.6 million to the Health Education Fund and \$3.6 million to the Health Research Fund. The Corrections Fund, established by the Legislature in 1984 to pay for prison construction, received \$28.6 million. The Drug Treatment and Education Fund received \$8.6 million, and the Corrections Revolving Fund received \$3.4 million due to the passage of Proposition 200 in 1994. The Smoke Free AZ fund received \$3.9 million due to the passage of Proposition 201 in 2006. The Early Childhood Development and Health Fund received \$133.1 million due to the passage of Proposition 203 in 2006. The remaining \$55.4 million was deposited into the state general fund. *(Refer to Table 41)*

Luxury Tax Rates

per cigarette	\$ 0.10
package of 20	\$ 2.00
package of 25	\$ 2.50

Cigars

small cigars weighing not more than 3 lbs/1,000 package of 20 or less	\$ 0.441
selling for \$0.05 or less (each 3 cigars)	\$ 0.218
selling for more than \$0.05 (each cigar)	\$ 0.218

Smoking Tobacco

snuff, fine cut, chewing, etc. (per ounce)	\$ 0.223
Cavendish, plug, or twist (per ounce)	\$ 0.055

Spirituous Liquors

per gallon	\$ 3.00
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Vinous Liquors more than 24% alcohol (per gallon)	\$ 4.00
--	---------

Vinous Liquors less than 24% alcohol (per gallon)	\$ 0.84
--	---------

Malt Liquor (Beer)

per gallon	\$ 0.16
per barrel (31 gallons)	\$ 4.96

TABLE 41
LUXURY TAX COLLECTIONS
FISCAL YEAR 2005-06 THROUGH FISCAL YEAR 2009-10

SOURCE:	FY2005-06	FY2006-07	FY2007-08	FY2008-09	FY2009-10	PERCENT OF COLLECTIONS IN FY2009-10
Spiruous Liquor	\$26,392,315	\$27,674,933	\$27,613,939	\$28,341,033	\$29,304,713	7.3%
Vinous Liquor	11,509,865	10,755,478	13,006,487	13,006,125	13,881,407	3.5%
Malt Liquor	23,245,180	24,758,494	23,936,126	22,831,547	22,232,715	5.6%
Liquor Collections	\$61,147,360	\$63,188,905	\$64,556,551	\$64,178,705	\$65,418,835	
Tobacco - All Types						
Gross Revenue	\$302,509,034	\$363,934,467	\$412,769,855	\$380,593,991	\$340,839,935	
Refunds	(4,040,057)	(5,317,826)	(4,761,258)	(6,251,626)	(6,635,450)	
Licenses	5,900	8,100	7,100	7,075	7,900	
Administrative Expenses	(468,675)	(502,860)	(587,463)	(646,800)	(662,742)	
Net Tobacco Collections	\$298,006,202	\$358,121,881	\$407,428,234	\$373,702,640	\$333,549,643	83.6%
TOTAL COLLECTIONS	\$359,153,562	\$421,310,786	\$471,984,785	\$437,881,344	\$398,968,478	100.0%

DISTRIBUTIONS:

State General Fund	\$66,732,468	\$65,808,829	\$61,037,231	\$57,878,187	\$55,352,260
Wine Promotional Fund (4)	38,481	35,965	29,003	-----	-----
Tobacco Tax & Health Care Fund (1)	100,765,613	94,770,504	79,033,025	73,785,519 (5)	65,051,516
Tobacco Products Tax Fund (1)	145,399,774	137,624,177	116,127,254	108,934,079 (5)	96,335,427
Drug Treatment & Education Fund	8,096,444	8,323,287	8,576,309	8,434,654	8,551,873
DOC Revolving Fund	3,221,929	3,313,709	3,411,936	3,358,868	3,407,130
Department of Corrections Fund	28,480,322	28,697,521	28,703,383	26,861,628	28,587,983
DOC Transfer from Prop 200 Funds	363,099	783,145	1,479,783	1,855,867	637,075
Prop 200 Transfer from Prop 303 Funds (1)	6,055,432	5,729,557	4,835,440	2,539,738	4,037,828
Smoke Free AZ (2)	-----	1,778,847	3,946,308	2,868,990	3,888,483
Early Childhood Development and Health Fund (3)	-----	74,445,246	164,805,113	151,363,815	133,118,902
TOTAL DISTRIBUTIONS	\$359,153,562	\$421,310,786	\$471,984,785	\$437,881,344	\$398,968,478

- (1) In November 2002, Proposition 303 increased the Luxury tax on cigarettes from \$0.029 to \$0.059 per cigarette and created the Tobacco Products Tax Fund. Tax rates on other tobacco products also increased. Distributions of the increased rates are made to the Tobacco Products Tax Fund. Proposition 303 also changed the name of the Health Care Fund to the Tobacco Tax & Health Care Fund and established a hold harmless fund for the Prop 200 accounts.
- (2) In December 2006, Proposition 201 increased the Luxury tax on cigarettes from \$0.059 to \$0.061 per cigarette and created the Smoke Free Arizona Fund. Tax rates on other tobacco products were not increased. Distribution of the increased cigarette rate is made to the Smoke Free Arizona Fund.
- (3) In December 2006, Proposition 203 increased the Luxury tax on cigarettes from \$0.061 to \$.10 per cigarette and created the Early Childhood Development and Health Fund. Tax rates on other tobacco products were also increased. Distributions of the increased rates are made to the Early Childhood Development and Health Fund.
- (4) The Wine Promotional Fund ended in FY05. Distributions were completed in FY08.
- (5) The Tobacco Tax & Health Care Fund and the Tobacco Products Fund holding accounts had undistributed balances of \$706,653.52 and \$1,943,037.88 respectively at the end of fiscal year 2009. These amounts will be distributed in fiscal year 2010.

Figures may not add to total due to rounding.

UNCLAIMED PROPERTY

Responsibilities of the Unclaimed Property Program include the collection, safekeeping, and disposition of abandoned property and escheated estates.

The Unclaimed Property staff establishes and maintains records of these types of funds along with other tangible personal property that is presumed to be abandoned. This property is received from business associations, banking and financial institutions, insurance companies, fiduciaries, state courts, and governmental agencies.

The most common examples of unclaimed property are:

- State warrants not cashed after six months.
- Payroll checks written to employees not cashed after one year.
- Contents of safe deposit boxes on which rent has not been paid for three years.
- Government and Court property not claimed in two years.
- Stock or other equity interest in a business association or financial institution with no activity for three years.
- Bank or credit union accounts with no activity for three years.
- Cashier and other official checks not cashed in three years.
- Checks written to vendors or customers not cashed after three years.
- Money orders not cashed in three years.
- Traveler's checks not cashed in fifteen years.

There is no statute of limitations for filing a claim for unclaimed property. Owners may recover their property at any time with proper documentation.

ESCHEATED ESTATES

In addition to their Unclaimed Property responsibilities, staff members also establish and maintain records of Escheated Estates. An Escheated Estate is created when a person dies without leaving a will and has no known heirs. When this condition exists, his or her property reverts to the state as the original and ultimate proprietor after seven years. Funds received from escheated estates are deposited into the Permanent State School Fund. *(Refer to Table 42.)*

TABLE 42
UNCLAIMED PROPERTY COLLECTIONS AND DISTRIBUTIONS
FISCAL YEAR 2005-06 THROUGH FISCAL YEAR 2009-10

SOURCE:	FY2005-06	FY2006-07	FY2007-08	FY2008-09	FY2009-10	PERCENT OF COLLECTIONS IN FY2009/10
UNCLAIMED PROPERTY	\$69,705,035	\$97,125,191	\$136,446,760	\$74,337,392	\$161,637,025	
Refunds	(17,693,745)	(22,541,073)	(27,859,528)	(22,267,197)	(24,207,862)	
Expenses	(1,564,120)	(3,112,161)	(5,555,692)	(2,099,913)	----- (8)	
NET	\$50,447,170	\$71,471,956	\$103,031,540	\$49,970,281	\$137,429,163	99.8%
ESCHEATED ESTATES	562,510	552,507	647,669	643,679	320,538	
Refunds	(195,735)	(7,679)	(281,484)	(466,307)	(94,959)	
NET	\$366,776	\$544,828	\$366,184	\$177,373	\$225,579	0.2%
TOTAL NET REVENUE	\$50,813,946	\$72,016,784	\$103,397,724	\$50,147,654	\$137,654,742	100.0%
DISTRIBUTIONS:						
General Fund	10,256,152	11,703,745	9,755,359	9,526,605	100,034,835	
Housing Fund	26,004,597	40,972,902	33,684,313	28,554,062	10,500,000	
Ladewig	3,704,599 (2)	0 (3)	0	0	0	
Kerr	-----	83,340 (4)	0	0	0	
Utility Assistance Fund	855,505	2,550,675	26,336 (6)	-----	-----	
Racing Fund	9,456,217	14,899,237	12,248,841	10,383,295	----- (8)	
Victim Restitution Fund	128,281	1,250,347	173,068	144,618	739,422	
HB 2786 Sec Sale	-----	-----	47,132,471 (5)	-----	-----	
Operating transfers	-----	-----	-----	1,352,600 (7)	1,634,300 (7)	
Admin Fund	-----	-----	-----	-----	24,500,000 (8)	
Net to Permanent State School Fund:						
Escheated Estates	366,776	544,828	366,184	177,373 (9)	225,579 (1)	
Unclaimed Shares/dividends	18,955	9,482	7,208	6,719	19,914	
Storage Facility	22,865	2,227	3,944	2,383	692	
TOTAL DISTRIBUTION	\$50,813,946	\$72,016,784	\$103,397,724	\$50,147,654	\$137,654,742	

(1) FY 10 Escheated Estates will be transferred in FY 11.

(2) Ladewig Unclaimed Property for FY05 and FY06 is to be deposited to the State General Fund, per SB1524.

(3) Ladewig Claims paid during FY07 exceeded their collections; therefore no transfer was required.

(4) Kerr Unclaimed Property for FY07 is to be deposited to the State General Fund, per HB2867.

(5) Proceeds from the sale of securities in FY08 were deposited in the General Fund per HB 2786, Chapter 260, 1st Regular Session, 2007.

(6) FY08 was the final year for the Utility Assistance Fund transfer.

(7) Pursuant to SB 1001, Chapter 1, 1st Special Session, 2009.

(8) Pursuant to SB 1003, Chapter 3, 4th Special Session, 2009.

(9) Pursuant to HB 2051, Chapter 1, 1st Regular Session, 2009, \$189,600 transferred to the State General Fund, remaining cash balance of \$798.53 moved to PSF in FY 10.

Figures may not add to total due to rounding.

WASTE TIRE

The Arizona waste tire fee is a fee applied to the sale of new motor vehicle tires. The fee is to be collected quarterly at a rate of two percent of the purchase price not to exceed two dollars per tire.

During fiscal year 2010, the department collected \$7,925,216 and distributed 3.5% percent to the Arizona Department of Environmental Quality with the remainder being distributed to the counties based on the number of motor vehicles registered in the county (*Refer to Tables 43*). The distribution is performed quarterly.

TABLE 43
WASTE TIRE FEE DISTRIBUTIONS
FISCAL YEAR 2005-06 THROUGH FISCAL YEAR 2009-10

COUNTY	FY2005-06	FY2006-07	FY2007-08	FY2008-09	FY2009-10
Apache	\$101,645	\$105,927	\$103,134	\$95,378	\$97,963
Cochise	215,348	223,763	216,915	199,557	204,708
Coconino	204,129	211,377	205,128	187,696	191,303
Gila	111,143	116,236	112,443	103,035	105,054
Graham	46,809	49,226	49,073	46,443	47,450
Greenlee	15,008	15,915	16,192	15,263	15,395
La Paz	47,146	49,332	47,522	44,034	45,573
Maricopa	4,742,763	4,995,305	4,814,030	4,319,137	4,296,301
Mohave	387,372	413,274	403,198	366,003	370,916
Navajo	165,729	174,781	171,073	157,354	160,731
Pima	1,136,415	1,190,164	1,152,277	1,047,700	1,057,356
Pinal	291,962	353,172	369,984	354,234	365,864
Santa Cruz	78,006	80,076	78,644	72,277	73,531
Yavapai	391,322	416,633	406,174	369,189	372,547
Yuma	246,469	258,530	254,235	236,624	243,142
Arizona Department of Environmental Quality	296,730	313,865	304,664	276,153	277,383
Total	\$8,477,996	\$8,967,577	\$8,704,684	\$7,890,076	\$7,925,216

Figures may not add to total due to rounding.

LEGISLATIVE SUMMARY

LEGISLATIVE SUMMARY

The following is intended to give a brief summary of the 2009-2010 tax-related legislation impacting the Department of Revenue (DOR) and not intended to discuss the details of any specific enactment. Detailed summaries of these bills can also be found at www.azleg.gov. Please refer to the particular legislation for more definitive information.

The general effective date for legislation enacted during the Second Regular Session is July 29, 2010. All legislation will have this effective date unless otherwise noted in the summary.

Copies of these bills can be downloaded at www.azleg.state.az.us/FinalDisposition.asp or may be requested from the Secretary of State's Office by calling (602) 542-4086.

Income Tax

House Bill 2001 (Chapter 115)

Taxpayer voluntary contribution; fund

Establishes the "I Didn't Pay Enough Fund," which allows taxpayers to designate an amount on individual tax returns (either from the taxpayer's refund or as an additional contribution) as a voluntary contribution to the state. The Department of Revenue is authorized to use up to 10% of annual collections for administrative costs.

House Bill 2156 (Chapter 176)

Internal revenue code conformity

Incorporates the federal changes made in 2009 into Arizona's definition of "internal revenue code."

However, HB 2156 also includes additions to and subtractions from income that have the effect of Arizona not conforming to the following changes:

1. \$2400 unemployment compensation exclusion
2. Itemized deduction for sales tax on the purchase of a new motor vehicle
3. Deduction for cash contributions for Haiti Earthquake Relief made after January 11, 2010 and Before March 1, 2010
4. Discharge of indebtedness income from business indebtedness discharged by the reacquisition of a debt instrument
5. Original issue discount on reacquisition of debt instrument
6. Special Federal Net Operating Loss Carryback Rules for 2008 and 2009 Losses

House Bill 2160 (Chapter 225)

Tax credit review committee recommendations

Authorizes the Department of Revenue to disclose statistical information gathered from confidential information to the Joint Legislative Income Tax Credit

Review Committee and the Joint Legislative Budget Committee Staff (JLBC) for income tax credit review purposes.

Taxpayers qualifying for the healthy forest tax incentive are required to provide information pertaining to employment and production in an annual report to the Department of Commerce. The Department of Commerce must annually report aggregate information on the tax incentive to the JLBC.

The exemption from sales tax on fuels used to generate electricity for on-site consumption by a paper manufacturer that is qualified as an environmental technology manufacturer is extended to 20 years from the date the first paper manufacturing machine is placed in service.

House Bill 2370 (Chapter 289)

Research development; production; incentive program

Beginning Jan. 1, 2011, through Dec. 31, 2021, an income tax credit is allowed for research and development (R&D) of solar liquid fuel. The credit is equal to 40% of the amount that exceeds the base amount for R&D as defined in the Internal Revenue Code.

For tax years 2016 through 2026, an income tax credit is allowed on the production of solar liquid fuel; the credit is equal to 11 cents per 100,000 BTUs produced.

For tax years 2016 through 2026, an income tax credit is allowed for costs incurred to convert gas stations for the retail sale of solar liquid fuel; the credit is equal to 30% of the costs incurred in conversion to a maximum of \$20,000 per service station per year.

Solar liquid fuel is defined as fuel "generated through processes that use sunlight, carbon dioxide and water to produce infrastructure compatible liquid hydrocarbon fuels."

House Bill 2663 (Chapter 292)

STOs; corporate tax credit requirements

Any school tuition organization (STO) receiving donations for the purpose of a corporate income tax credit must be certified by the Arizona Department of Revenue. An STO must apply with ADOR for certification. ADOR will certify the STO if it meets the statutory requirements. The STO must apply for certification using the ADOR form.

ADOR is required maintain a public registry of certified STOs. The registry will be available to the public on request and must be posted on the ADOR website.

ADOR is required to notify an STO if the STO has engaged in any of the following activities:

- failing or refusing to allocate at least 90% of annual revenues for scholarships
- failing or refusing to file the required annual reports
- limiting availability of scholarships to students of only one school
- encouraging, facilitating or knowingly permitting taxpayers to engage in prohibited actions.

The STO then has 90 days to correct the violation. If the STO fails or refuses to correct the violation, ADOR will remove the organization from the list of certified STOs. An STO that is removed from the list of certified STOs must tell any taxpayer attempting to make a contribution that it is not eligible for the tax credit and offer to refund donations received after the date of removal from the list. The STO may request an administrative hearing on the certification revocation.

A qualified school cannot be a charter school nor can scholarships go to programs operated by a charter school.

Expands the annual reporting requirements to include, Total dollar amount of scholarship money being held for identified students' scholarships in future years, cost of audits and financial reviews and the names, job titles and annual salaries of the 3 employees who receive the highest annual salaries from the STO.

Each STO that received \$1 million or more in total donations in the previous fiscal year is required to annually provide for a financial audit for the organization. The audit must be in accordance with GAAP and must evaluate the STO's compliance with the fiscal requirements of this Article. The audit must be conducted by an independent CPA licensed in Arizona and the CPA and the associated firm must be independent from the STO and its officers.

Each STO that received less than \$1 million in total donations in the previous fiscal year is required to

annually provide for a financial review of the STO. The review must be conducted in accordance with standards for accounting. The review must be conducted by an independent CPA licensed in Arizona and the CPA and the associated firm must be independent from the STO and its officers.

Within 5 days after received the audit or financial review, the STO must file a signed copy of the audit or review with ADOR. The cost of the audit or review is excluded from the total donations received when doing the 90%/10% calculation.

House Bill 2664 (Chapter 293)

STOs; tax credit requirements

Beginning on January 1, 2011, the \$1000 credit maximum for married filing joint filers and the \$500 credit maximum for all other filers will be adjusted by the average annual change in the Metropolitan Phoenix Consumer Price Index published by the United State Bureau of Labor Statistics.

Any STO receiving donations for the purpose of an individual income tax credit must be certified by the Arizona Department of Revenue. An STO must apply with ADOR for certification. ADOR will certify the STO if it meets statutory requirements. The STO must apply for certification using the ADOR form.

ADOR is required maintain a public registry of certified STOs. The registry will be available to the public on request and must be posted on the ADOR website.

ADOR is required to notify an STO if the STO has engaged in any of the following activities:

- failing or refusing to allocate at least 90% of annual revenues for scholarships
- failing or refusing to file the required annual reports
- limiting availability of scholarships to students of only one school
- encouraging, facilitating or knowingly permitting taxpayers to engage in prohibited actions.

The STO then has 90 days to correct the violation. If the STO fails or refuses to correct the violation, ADOR will remove the organization from the list of certified STOs. An STO that is removed from the list of certified STOs must tell any taxpayer attempting to make a contribution that it is not eligible for the tax credit and offer to refund donations received after the date of removal from the list. The STO may request an administrative hearing on the certification revocation.

An STO may allow donors to recommend student beneficiaries but are prohibited from awarding, designating or reserving scholarships solely on the basis

of donor recommendation. STOs are also prohibited from allowing donors to designate student beneficiaries as a condition of any contribution to the STO or facilitate, encourage or knowingly permit the exchange of beneficiary student designations.

An STO shall include a notice in any donation solicitation, applications for scholarships and on its website indicating the STO cannot award, restrict or reserve scholarships solely on the basis of donor recommendation.

A taxpayer may not claim a tax credit if the taxpayer agrees to swap donations with another taxpayer to benefit either taxpayer's own dependent. The taxpayer may not designate any beneficiary as a condition of the donation. The taxpayer may not participate in any agreement with another taxpayer to direct their donation for the direct benefit of the other's dependent.

A qualified school cannot be a charter school nor can scholarships go to programs operated by a charter school.

Expands the annual reporting requirements to include the total dollar amount of scholarship money being held for identified students' scholarships in future years, cost of audits and financial reviews, the total dollar amount of scholarships awarded during the previous fiscal year to students whose family income meets the economic eligibility, the total dollar amount of scholarships awarded during the previous fiscal year to students whose family income is greater than the family income needed for free or reduced price lunches but does not exceed 185% of that income threshold and the names, job titles and annual salaries of the 3 employees who receive the highest annual salaries from the STO.

Each STO that received \$1 million or more in total donations in the previous fiscal year is required to annually provide for a financial audit for the organization. The audit must be in accordance with GAAP and must evaluate the STO's compliance with the fiscal requirements of this Article. The audit must be conducted by an independent CPA licensed in Arizona and the CPA and the associated firm must be independent from the STO and its officers.

Each STO that received less than \$1 million in total donations in the previous fiscal year is required to annually provide for a financial review of the STO. The review must be conducted in accordance with standards for accounting. The review must be conducted by an independent CPA licensed in Arizona and the CPA and the associated firm must be independent from the STO and its officers.

Within 5 days after received the audit or financial review, the STO must file a signed copy of the audit or review with ADOR. The cost of the audit or review is

excluded from the total donations received when doing the 90%/10% calculation.

House Bill 2700 (Chapter 294)

Solar energy tax incentives; extension

See summary under Multiple Tax Types.

Senate Bill 1201 (Chapter 303)

Renewable energy tax incentive revisions

Makes technical and clarifying changes to property tax incentives and income tax credits for corporations and individuals that expand or locate qualified renewable energy operations in the state.

A post-approval process through the Department of Commerce is established and the time that the qualified operation must continue in business was reduced to 5 years from 10 years.

Senate Bill 1254 (Chapter 312)

Research; development; production; tax credit

Effective Jan. 1, 2011, establishes a tax credit for individuals and corporations that produce electricity using renewable resources. The amount of the credit is based on the amount of kilowatt hours produced. A taxpayer may claim up to \$2 million per year for ten years, and the total amount of credits available is capped at \$20 million per year.

Additionally, retroactive to Jan. 1, 2010, the tax credit for research and development expenses is expanded to allow a taxpayer with fewer than 150 full-time employees to apply for a refund of 75% of the amount of the credit, rather than carry the credit forward to future tax years. The total amount authorized for refunds is limited to \$5 million.

Senate Bill 1274 (Chapter 188)

STOs; contribution date

Allows a contribution to a STO made on or before April 15 to be applied to either the current or preceding taxable year.

Transaction Privilege Tax/ Use Tax

House Bill 2243 (Chapter 128)

Tourism; TPT distribution; reinstatement

Re-establishes the statutory funding formula for the Office of Tourism.

House Bill 2257 (Chapter 316)

Municipalities; counties; taxes; fees; notice

Any municipality or counties proposing to levy or assess any taxes or fees on businesses is required to provide written notice of the proposed charge or increased rate on the municipality's or county's website, and must issue a press release of the proposed charge or increased rate at least 60 days before the vote of the governing body. The municipality or county must demonstrate that the taxes or fees are imposed pursuant to statute. Municipal development fees, county development fees and county property tax rate increases are exempt from this requirement.

House Bill 2434 (Chapter 150)

Car rental surcharge; vanpool exception

The car rental surcharges for the Tourism and Sports Authority and for major league spring training do not apply to motor vehicles used in an employee vanpool for 7 to 14 passengers with a volunteer driver who operates the vehicle for the purpose of commuting between a residence and place of employment.

House Bill 2445 (Chapter 258)

Mining transaction privilege tax; application

For transaction privilege tax purposes, the mining classification applies to mining or producing any nonmetalliferous mineral product that has been mined, quarried or otherwise extracted within the boundaries of Arizona.

House Bill 2510 (Chapter 260)

City sales tax; corporate leases

The list of items exempt from municipal sales tax is expanded to include proceeds from a commercial lease in which a reciprocal insurer or a corporation leases property to an affiliated corporation.

House Bill 2514 (Chapter 52)

Charter schools; food; tax exemption.

Beginning October 1, 2010, the income of a charter school from food and drink sold for consumption on the premises of the charter school during school hours is added to the list of exemptions from transaction privilege and use taxes.

House Bill 2627 (Chapter 326)

County transportation excise tax; transit

Removes the prohibition on counties with a population of between 200,000 and 400,000 persons from levying both a county transportation excise tax for mass transit and a county transportation excise tax for roads.

House Bill 2700 (Chapter 294)

Solar energy tax incentives; extension

See summary under Multiple Tax Types.

Senate Concurrent Resolution 1001

(Prop 100), 6th Special Session

Temporary sales tax; repeal

Proposes an amendment to the Arizona Constitution that imposes a one percent temporary transaction privilege tax on the tax base of each classification with a state rate of five percent or more and a one percent tax on the tax base of the use tax. Approved by the voters on May 18, 2010, the tax began being levied and collected on June 1, 2010. The tax will expire on May 31, 2013.

House Bill 2012 (Chapter 12)

7th Special Session

Revenues; reconciliation; 2010-2011

See summary under Multiple Tax Types.

Property Tax

House Bill 2158 (Chapter 64)

Data processing for county taxes

Permits, rather than requires, the Department of Revenue to contract with a county to furnish data processing equipment or services, if the county does not own, lease, or contract with another entity for the equipment or services.

House Bill 2247 (Chapter 68)

Property tax appeals to court

Codifies existing statutory language allowing new owners of property to appeal property valuation or legal classification to court in a new, separate section of statute.

House Bill 2287 (Chapter 317)

Accommodation schools; levy limit recalculation

Prohibits an accommodation school governing board from levying a property tax. A property tax levied by a county in support of an accommodation school must be considered to be part of the county's primary property tax levy. Increases, for the 2010 tax year, the primary property tax levy limit for Pinal County by \$3,626,600.

House Bill 2504 (Chapter 321)

GPLET; lease records and reporting

Government lessors of real estate must record a memorandum of lease with the county recorder that includes basic lease terms, names of parties, the lease term and options for renewal. The Department of Revenue must maintain a public database of all government property leases.

Establishes higher tax rates for Government Property Lease Excise Tax (GPLET) leases entered into after May 31, 2010, with some grandfathered exceptions.

Additional restrictions are placed on leases of government real estate within designated slum or blighted areas. For purposes of tax abatement for government leases in a "central business district," a municipality may designate only one such district, and new restrictions are placed on the size and location of such designated districts. The Auditor General must conduct a special audit of the GPLET program in 2015, to be paid for by counties from property tax revenues received from GPLET property. By Dec. 15, 2016, the JLBC shall conclude an analysis of the effectiveness of the GPLET rates.

House Bill 2507 (Chapter 96)

Property tax valuation; governmental actions

Clarifies existing statute for determining limited property value in the case of property that was split or consolidated as a result of an action initiated by a governmental entity.

Senate Bill 1005 (Chapter 158)

Trap and skeet; tax exemption

The list of property exempt from taxation is expanded to include trap and skeet shooting clubs if the facility is used for education purposes and is not held or used for profit.

Senate Bill 1188 (Chapter 273)

School district monies; annual estimate

The list of entities with which a county school superintendent is required to file a copy of the estimate of the amount of school monies required by each school district for the coming year is expanded to include the Property Tax Oversight Commission. The projected estimate of the ending cash balance for each school district must be modified to account for encumbrances and payables. The county school superintendent must subtract from each district's budgeted expenditures the total amount of estimated revenues, including the ending cash balance from the previous year, in order to estimate the additional amounts needed for each district from property taxes. For fiscal year 2009-10, any May 15 budget adjustment deadline for schools is delayed until July 15.

Unclaimed Property

House Bill 2111 (Chapter 119)

Unclaimed property; traveler's checks

The time period after issuance that a traveler's check is presumed abandoned and becomes state property is changed to 15 years from 3 years.

House Bill 2453 (Chapter 102)

Unclaimed property

Increases to three years from two years the amount of time that must pass before certain unclaimed financial assets (stocks, bonds, and the interest due on bonds) are presumed to be abandoned.

Senate Bill 1003 (Chapter 3)

4th Special Session

General revenues; 2009-2010

Establishes the DOR Administrative Fund consisting of monies from unclaimed property. Redirects unclaimed property proceeds by annually depositing the second \$24.5 million of collected proceeds into the Department

Multiple Tax Types/Miscellaneous

House Bill 2012 (Chapter 12) 7th Special Session

Revenues; reconciliation; 2010-2011

Allows the department to enter into an agreement with a vendor to conduct data matching electronically for bank levy purposes.

Eliminates the \$500 collection outsourcing limit.

Increases the statute of limitations from 6 years to 10 years and removes the requirement that any related liens for tax obligations are extinguished once the tax obligation is extinguished due to the statute of limitations.

Beginning March 1, 2011, a taxpayer is assessed 5% penalty on the payment amount for not making a mandatory electronic payment.

Effective on June 1, 2011, all payroll service companies are required to file and pay electronically on behalf of their withholding tax clients. A penalty is assessed on the payroll service company of \$25 per client per quarter for every client whose withholding tax return and withholding tax payment is not made electronically. A payroll service company is a person or organization that has custody or control over a client's monies for the purpose of paying the withheld taxes and filing returns of a client with the Department of Revenue.

Authorizes the department to levy a one-time TPT license renewal fee for all licenses issued before July 1, 2009. The Department is also allowed to increase the fee for new TPT licenses through June 30, 2011. There is a legislative intent clause limiting the additional revenue generated by the TPT license renewal and new TPT license fees to \$5,384,000

Reduces the threshold for businesses required to make an estimated tax payment in June from \$1M in TPT liability to \$100,000 for tax years 2010, 2011 & 2012.

House Bill 2282 (Chapter 288)

Political subdivisions; government transparency

By January 1, 2013, local governments are required to establish and maintain an official, publicly accessible, Internet website with an electronically searchable database of all receipts and expenditures greater than \$5,000. The Department of Administration (DOA) is required to establish a web portal that contains a list of all local governments with links to information pertaining to that government. Local governments must report to DOA all expenditures for communications that promote an individual elected official and that includes

the official's name or likeness. DOA must maintain a searchable database of these expenditures, including the type of medium and total expenditures.

All local governments must report to the Department of Revenue (DOR) all incurred debt, including date of issuance, original amount, current balance and interest both paid to date and paid in the latest full fiscal year. DOR must maintain a searchable database of this information.

House Bill 2513 (Chapter 154)

Municipal transaction privilege taxes; report

If a municipality collects its own sales tax rather than entering into a collection agreement with the Dept of Revenue, it must report to the department by September 1 each year the total amount of taxes collected in the preceding fiscal year.

House Bill 2700 (Chapter 294)

Solar energy tax incentives; extension

The income tax credit for installing commercial and industrial applications of solar energy devices is extended six years to the tax year ending Dec. 31, 2018.

The sales tax exemption for contracts to install solar energy devices is extended six years to Dec. 31, 2016.