



**ARIZONA STATE SENATE**  
*Fifty-Fifth Legislature, Second Regular Session*

**AMENDED**  
FACT SHEET FOR S.B. 1004

~~technical correction; prisoners; mental disorders~~  
(NOW: TPT; administration; remotes sellers)

Purpose

Extends reciprocity, if another state tax agency extends comity for remote seller administration and if a central clearinghouse is established, to remote sellers for communicating through state tax agencies and remitting taxes from state to state. Requires a remote seller with more than \$100,000 of taxable sales to pay the required retail transaction privilege tax (TPT) and use tax.

Background

On June 21, 2018, the U.S. Supreme Court overruled in *South Dakota v. Wayfair, Inc.* previous decisions made by the same court in 1967 (*National Bellas Hess, Inc. v. Illinois Department of Revenue*) and 1992 (*Quill Corp. v. North Dakota*), which both held that only businesses with a physical presence inside a state may be required to collect that state's sales tax. If a business did not have nexus in the state, and therefore did not collect the tax, then the buyer was required to pay use tax instead.

[Laws 2019, Chapter 273](#) established the economic nexus thresholds under which a remote seller must collect and remit tax on retail sales in Arizona. If a remote seller does not conduct sales through a marketplace facilitator, economic nexus applies if the gross proceeds of sales or gross income derived from sales in Arizona exceed \$100,000 within a calendar year. If the threshold is met midyear, the remote seller must obtain a TPT license from Arizona Department of Revenue (ADOR) and begin remitting the tax on the first day of the month that starts at least 30 days after the threshold is met.

If requiring a remote seller to pay TPT on the taxable sales, rather than the gross proceeds of sales or gross income derived from sales, results in a change in taxes remitted, there may be a fiscal impact to the state General Fund.

Provisions

***Remote Seller Sales***

1. Requires a remote seller with more than \$100,000 of taxable sales, rather than \$100,000 of gross proceeds of sales or gross income derived from sales, to pay the required retail TPT and use tax.

2. Requires a remote seller that meets the sales threshold midyear to pay the required taxes beginning January 1 of the following year, rather than the first day of the month following the threshold being met.

#### ***State-to-State Central Clearinghouse***

3. Requires ADOR, if another state tax agency extends comity to Arizona for remote seller tax administration, to allow a remote seller to communicate exclusively through the state tax agency of the state in which the remote seller is located, including allowing the remote seller to report and remit the tax owed to Arizona to the state tax agency of the state in which the remote seller is located for that state tax agency to remit to Arizona on behalf of the remote seller.
4. Requires ADOR, in conjunction with other state tax officials and if a central clearinghouse is established, to use the central clearinghouse to accept all tax returns and remittances for remote sellers.
5. Requires ADOR to cooperate with other state tax agencies in the development of the central clearinghouse.

#### ***Compliant Purchaser***

6. Requires ADOR to prescribe a compliant purchaser certificate for a purchaser that purchases tangible personal property for resale from a remote seller that allows the purchaser to pay the TPT that the remote seller would have been required to pay directly to ADOR.
7. Allows ADOR to establish criteria for a purchaser to qualify for the compliant purchaser certificate, an application process and reporting and remittance requirements to taxes owed.
8. Specifies that a remote seller that obtains a compliant purchaser certificate from a purchaser has no obligation to collect, remit or pay the TPT for that sale and deems the purchaser liable for an amount equal to any tax, penalty and interest the seller would have been required to pay.

#### ***Miscellaneous***

9. Exempts ADOR from rulemaking for one year.
10. Defines *central clearinghouse*.
11. Contains a statement of legislative findings.
12. Designates this legislation as the *Sales Tax Simplification Act of 2022*.
13. Makes technical and conforming changes.
14. Becomes effective on the general effective date.

Amendments Adopted by Committee

- Adopted the strike-everything amendment.

Amendments Adopted by Committee of the Whole

1. Removes the permissive authority for a remote seller to elect to pay a single tax rate and removes the requirement for ADOR to annually determine the single rate.
2. Removes the requirements for ADOR to administer the single rate and adopt rules to carry out administration.

Senate Action

APPROP    2/22/22    DPA/SE    5-4-1

Prepared by Senate Research

February 28, 2022

MG/slp