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AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

May 17, 2024

Members of the Arizona Legislature

The Honorable Katie Hobbs, Governor

John Kross, Executive Director
Pinal Regional Transportation Authority

Pinal Regional Transportation Authority Board members

Leo Lew, Pinal County Manager

Pinal County Board of Supervisors

Robert Woods, Director
Arizona Department of Revenue

In November 2017, Pinal County voters approved a transportation excise tax proposed by the Pinal Regional Transportation Authority (2018 Excise Tax), and this excise tax became effective April 1, 2018. Arizona Revised Statutes (A.R.S.) §41-1279.03(A)(6) requires my Office to conduct a performance audit in the fifth year that a county transportation excise tax has been in effect and every fifth year thereafter. As a result, my Office was required to conduct a performance audit of the 2018 Excise Tax in calendar year 2023. Statute requires the performance audit to include a review of past and planned expenditures of the 2018 Excise Tax revenues, determine the impact of the expenditures in solving transportation problems within the county, and review completed projects and projects to be completed during the remaining years in which the 2018 Excise Tax is in effect.

However, we determined that there have been no expenditures of 2018 Excise Tax revenues or related projects for us to audit, nor will there be any future expenditures or projects to audit pursuant to A.R.S. §41-1279.03(A)(6) because the 2018 Excise Tax is no longer in effect. Specifically:

- In December 2017, a group of plaintiffs filed a lawsuit alleging that the 2018 Excise Tax was invalid. This lawsuit was appealed up to the Arizona Supreme Court.
- In March 2022, the Arizona Supreme Court issued a 4-3 decision concluding that the 2018 Excise Tax was invalid.

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- Between April 1, 2018, and February 28, 2024, the Arizona Department of Revenue (ADOR) collected nearly \$87 million in 2018 Excise Tax revenues, which the Pinal Regional Transportation Authority deposited into an interest-bearing escrow account. As of February 28, 2024, the account had accrued more than \$4 million in interest.
- Between April 1, 2018, and February 28, 2024, the Pinal Regional Transportation Authority did not expend any of the 2018 Excise Tax revenues or accrued interest.

In March 2024, Pinal County, the Pinal Regional Transportation Authority, and ADOR entered into a memorandum of understanding to refund the 2018 Excise Tax revenues to eligible taxpayers. Additionally, according to ADOR's website, businesses that paid the 2018 Excise Tax have until April 9, 2026, to submit a request to Pinal County for a refund of monies paid plus applicable interest.

Unless otherwise directed by the Legislature, this letter concludes our work related to the 2018 Excise Tax.

My staff and I will be pleased to discuss or clarify items in this letter.

Sincerely,

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General