MUNICIPAL TAX CODE COMMISSION

July 23, 2026

Lindsey Perry, Auditor General
Office of the Arizona Auditor General
2910 N. 44th Street, Suite 410
Phoenix, Arizona 85018

Dear Ms. Perry,

On behalf of the Municipal Tax Code Commission, please accept the Commission's final response to the Auditor General's performance audit report.

The Commission appreciates the opportunity to review the report, discuss the findings and recommendations, and provide additional information regarding its role and responsibilities. We remain committed to maintaining clear procedures and strong coordination among participating agencies to ensure the Model City Tax Code continues to serve Arizona's municipalities, taxpayers, and businesses.

Thank you to you and your team for your professionalism and coordination throughout the audit process.

Sincerely,

Scott Somers
Chairman
Municipal Tax Code Commission

Recommendations to the Commission

Sunset factor 2: The Commission's effectiveness and efficiency in fulfilling its key statutory objectives and purposes.

Without explicit authority to do so, the Commission delegated responsibility for reviewing proposed Model City Tax Code amendments and other responsibilities to an entity not established by or recognized in statute, limiting public transparency and our ability to assess the effectiveness and efficiency of its statutory objectives and purposes

Commission response: The Auditor General's finding is agreed to.

Response explanation: The Model City Tax Code is a standardized municipal code created and amended by the cities and towns of Arizona as the basis for preparing and approving a local ordinance in each city and town. The Department's role is to maintain the official copy of the code and update it when changes are approved by the Commission. The League of Arizona Cities and Towns, along with city and town tax administrators and staff that comprise the City Tax Administrators Council (CTAC), are the subject-matter experts who understand how proposed amendments will impact each jurisdiction and interplay with other MCTC sections and regulations. Their analysis is essential when reviewing potential changes to the code. Because any amendment could affect all 92 cities and towns, the League serves as the representative voice for the majority, especially for those jurisdictions that do not have the resources or staff to participate directly. The League and other members of CTAC are the appropriate subject matter experts to review the proposed amendments and present to the Commission the effect of the proposed amendments. Cities and towns have always engaged with the public to reach agreement on proposed amendments prior to any item being presented to the commission and will continue to do so by inviting the public to participate in appropriate informal discussions and working meetings before any proposed amendment is placed on a Commission agenda.

Recommendation 1: Ensure that proposed amendments to the Model City Tax Code submitted to it for review and consideration for approval are submitted by only a city or town, taxpayer, or the Department, as authorized by A.R.S. §42-6052(E), including those that are presented to the Commission in public hearings by a city, town, and/or taxpayer representative.

Commission response: The audit recommendation will be implemented.

Response explanation: A.R.S. 42-6052(E) allows a city or town, a taxpayer, or the Department to submit proposed amendments to the Model City Tax Code. The Commission may accept representatives of those entities to present proposed amendments on their behalf. This includes, but is not limited to, attorneys or CPAs representing taxpayers, and the League of Arizona Cities and Towns representing a city or town. The Commission will ensure proposals are only accepted from "a taxpayer" or their representatives but will only identify individual taxpayers as the proposer if they request it. All other "taxpayer" submissions will be identified as such without identifying a specific taxpayer or representative group. Similarly, the Commission will ensure proposals are only accepted from "a city or town" but will only identify an individual city or town when appropriate and requested. All other submissions, such as those originating through the cities and towns collectively, will be associated with the city or town represented by the chair of the Commission.

Sunset factor 5: The extent to which the Commission has provided appropriate public access to records, meetings, and rulemakings, including soliciting public input in making rules and decisions.

The Commission did not receive any public records requests during our review time frame and is not statutorily authorized to adopt rules; however, although the Commission complied with open meeting law requirements we reviewed, it can improve the accuracy of information it provides to the public

Commission response: The Auditor General's finding is agreed to.

Response explanation: A.R.S. 42 6052(E) allows a city or town, a taxpayer, or the Department to submit proposed amendments to the Model City Tax Code. The Commission may accept representatives of those entities to present proposed amendments on their behalf. This includes, but is not limited to, attorneys or CPAs representing taxpayers, and the League of Arizona Cities and Towns representing a city or town. The Commission will ensure all accepted proposals are submitted by a permitted entity or group, and agenda items will identify the source of each proposed amendment. Meetings of city and town representatives where proposals are reviewed and discussed will continue to include the participation of taxpayers and the Department when appropriate. CTAC will continue to hold an informal discussion(s) to receive input and consider potential changes to proposals with all interested taxpayers and representatives registered with the Department to receive notice and information regarding the Commission.

Recommendation 2: Ensure Commission hearing agendas provide accurate information, such as accurately identifying the taxpayer or entity that submitted a proposed amendment, including those instances where proposed amendments may be presented by a representative.

Commission response: The audit recommendation will be implemented in a different manner.

Response explanation: It must be noted that proposed amendments submitted by "a taxpayer" are commonly submitted on behalf of several taxpayers collectively or an industry group rather than a specific taxpayer. As with most bills proposed in the legislature, individual taxpayers rarely wish to be identified or directly associated with a proposed Code amendment. The Commission will ensure proposals are only accepted from a taxpayer(s) or their representatives and the agenda will indicate which items originated with "taxpayers", but the Commission will only identify individual taxpayers if they request it. Similarly, issues proposed by "a city or town" are typically drafted on behalf of all cities and towns via collective effort. Through the review process of the CTAC, proposals submitted by the cities and towns represent the consensus of all cities and towns. The Commission will identify an individual city or town when appropriate and requested, but all other submissions originating through the cities and towns collectively will be associated with the city or town represented by the chair of the Commission.