STATE OF ARIZONA
Department of Revenue

Katie Hobbs
Governor

Robert Woods
Director

July 27, 2026

Lindsey Perry, Auditor General
Arizona Office of the Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018

Dear Ms. Perry,

Thank you for the opportunity to review and respond to the sunset audit report for the Municipal Tax Code Commission. The Arizona Department of Revenue appreciates the courtesy and professionalism demonstrated by your audit team throughout this review process. The Department concurs with the audit findings and is fully committed to implementing all of the report's recommendations. Enclosed with this letter is our detailed response outlining the specific corrective actions planned.

Thank you and your staff for your thorough work and continued support of efficient and effective government operations.

Sincerely,

Robert Woods (Jul 27, 2026 17:42:43 PDT)

Robert Woods, Director
Arizona Department of Revenue

Recommendations to the Department

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

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

Response explanation: The Auditor General's finding is agreed to and the recommendation will be implemented.

Recommendation 1: In coordination with the Commission, request a formal opinion from the Attorney General pursuant to A.R.S. §41-193(A)(7) about whether the Commission may lawfully delegate its responsibilities to CTAC. Alternatively, or if the Attorney General declines to opine on any portion of the question, work with the Legislature to clarify in statute what authority, if any, the Commission has to delegate its statutory responsibilities related to the Model City Tax Code, and the scope of such authority.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will work with the Commission to request a formal opinion from the Attorney General regarding the Commission's ability to lawfully delegate its responsibilities to CTAC; or work with the Legislature to clarify in statute what authority, if any, the Commission has to delegate its statutory responsibilities related to the Model City Tax Code, and the scope of such authority.

Department did not request informational public hearing to discuss 2 proposed amendments, thereby limiting transparency

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

Response explanation: The Auditor General's finding is agreed to and the recommendation will be implemented in a different manner.

Recommendation 2: Request informational public hearings with the Commission to provide comments on proposed amendments, as authorized by A.R.S. §42-6052(F), to improve Commission and public transparency.

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

Response explanation: As part of the policies and procedures it is revising for Commission administration (see responses to Recommendations 3 through 5), the Department will establish a documented standard to guide its consideration of whether to request an informational public hearing under A.R.S. § 42-6052(F). When a proposed amendment raises questions or concerns, the Department will assess whether an informational public hearing would aid the Commission's and the public's consideration of the amendment, taking into account relevant factors (e.g., significance of issues presented, the extent to which a hearing would serve public transparency, whether public discussion and stakeholder input would assist the Commission, broader policy and intergovernmental context of the proposed amendment). The Department will request a hearing where it determines in light of these considerations, that doing so is appropriate. Consistent with the discretion conferred by A.R.S. § 42-6052(F), the Department will make this determination on a case-by-case basis.

Department did not timely update Model City Tax Code after Commission approved 2 amendments in 2019, requiring Commission to reapprove the 2 amendments in December 2025, thereby duplicating Commission efforts and delaying implementation of the approved amendments

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

Response explanation: The Auditor General's finding is agreed to and the recommendations will be implemented.

Recommendation 3: Revise and implement Department policies and procedures for fulfilling Commission administration duties, including updating the Model City Tax Code with those amendments approved by the Commission within the time frame required by A.R.S. §42-6052.

Department response: The audit recommendation will be implemented.

Response explanation: The audit recommendation will be implemented per statutory deadlines; 10 days for Commission-approved amendments, 30 days for statutory changes.

Recommendation 4: Revise and implement Department policies and procedures for fulfilling Commission administration duties, including ensuring the guidance includes information consistent with statutory requirements, including identifying who can submit proposed amendments, the number of Commission members needed for a quorum, and the applicable time frames for posting informational and public hearing notices and agendas on its website.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will revise and implement policies and procedures for fulfilling Commission administration duties as recommended.

Recommendation 5: Provide training to all existing and any new staff responsible for supporting the Commission on using Department policies and procedures for fulfilling Commission administration duties.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will provide training to all existing and any new staff responsible for supporting the Commission on using Department policies and procedures for fulfilling Commission administration duties as recommended.