

## Arizona Municipal Tax Code Commission

**Commission has not met its statutory purpose to review, hold hearings on, and approve or deny amendments to the Model City Tax Code because it lacks a quorum of members to hold public meetings**

### Audit purpose

To provide responses to the statutory sunset factors.

### Key findings

- The Commission was established in 1988 to review, hold public hearings on, and approve or deny proposed amendments to the Model City Tax Code, a uniform sales and use tax act that Arizona cities and towns are statutorily required to adopt that is intended to facilitate uniform city taxes while providing cities with options to tax or exempt certain items.
- Statute requires the Commission to consist of 9 members who are mayors or members of the governing bodies of Arizona cities and towns, and the Governor appoints 5 members, the Arizona Senate President appoints 2 members, and the Speaker of the Arizona House of Representatives appoints 2 members.
- The Commission last met in May 2019 but has not met its statutory objective and purpose since that time. For example, the Arizona Department of Revenue reported that it received 3 proposed amendments to the Model City Tax Code in 2021 for the Committee's consideration. However, as of June 2022, the Commission had not held a hearing to consider these amendments because it lacked a quorum of members to hold a public meeting.
- The Commission lacks a quorum because all its members' terms had expired as of October 2021, and as of April 2022, the Commission had 5 vacancies.
- The Model City Tax Code is at risk of becoming obsolete and no longer meeting the needs of Arizona cities, towns, taxpayers, and businesses because the Commission cannot hold a public meeting to obtain input and determine whether to adopt proposed changes.

### Key recommendations

- The Governor, Arizona Senate President, and Speaker of the Arizona House of Representatives should consider appointing Commission members, as set forth in statute.
- Once the Commission's members have been appointed and it has a quorum of members, the Commission should meet to review and consider, for approval or disapproval, any proposed amendments to the Model City Tax Code that have been submitted to it, as required by statute.