



# TaxNewsFlash

United States

No. 2024-091  
March 8, 2024

## Arizona: Guidance on refund claims for invalidated Pinal County tax

The Arizona Supreme Court in March 2022 invalidated the Pinal County transportation excise tax that was levied by the Pinal Regional Transportation Authority and collected by the Arizona Department of Revenue.

The court held that while Pinal County had complied with state law when it adopted the tax, state law did not permit the county to adopt a two-tiered transaction privilege tax on tangible personal property as part of a transportation excise tax. The tax's two-tiered structure imposed tax at the rate of  $\frac{1}{2}\%$  on the first \$10,000 of any sale of a single item of tangible personal property, and any amount in excess of that amount was taxed at a rate of 0%.

The Department of Revenue first collected the tax in April 2018, but later issued guidance to taxpayers to end collection of the tax after the March 2022 filing period due to the court's decision. In a new update posted on its website, the Department acknowledged that businesses that collected and remitted the invalidated tax between April 2018 and March 2022 may be eligible for a refund. The Department stated that it will release a new form on March 11, 2024, that must be used to complete and submit refund claims for the invalidated tax. To avoid delays and errors in handling, the Department requests that taxpayers do not attempt to submit a Refund Request Workbook or amended returns for the invalidated tax.

Under Arizona law, an excise tax is assessed on the privilege or right to engage in an occupation or business and is not a tax upon the sale itself. As such, businesses pay the tax rather than consumers, and only businesses that filed and paid the tax are eligible for refunds. This differs from most sales taxes, which usually require a business to refund consumers the tax that they paid before the business may submit a refund claim.

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