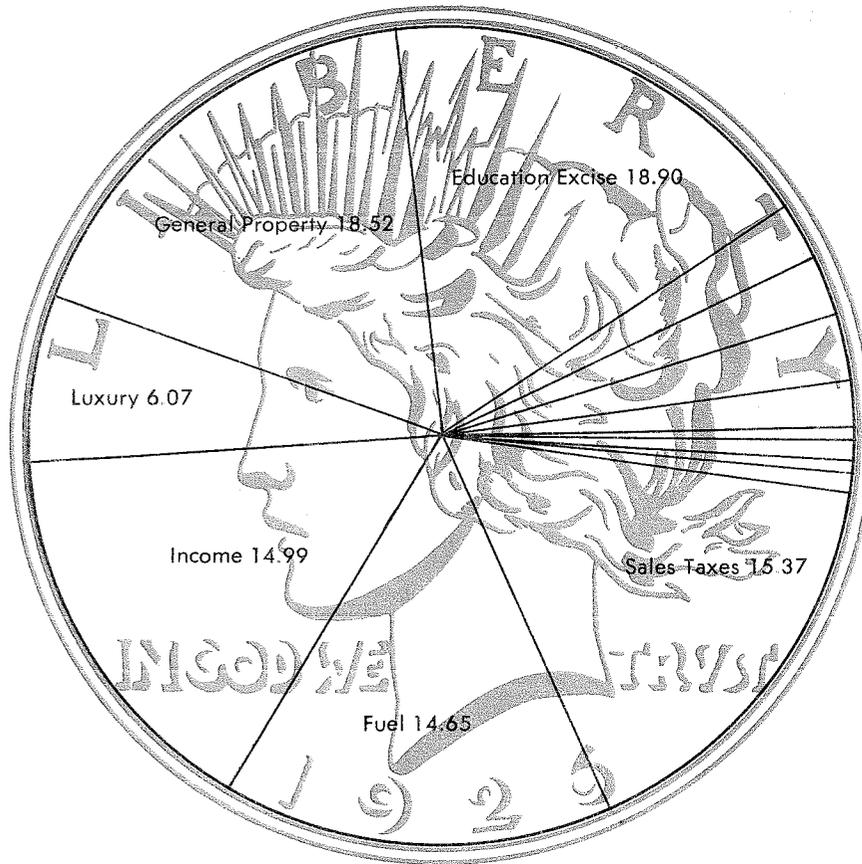


BRIEF of MAJOR TAX LAW PROVISIONS AFFECTING BUSINESS AND INDUSTRY in ARIZONA

This tax outline has been prepared with the cooperation of the various taxing agencies of the State of Arizona, and the Assessor's Office of Maricopa County, Arizona. It is also based in part (with permission of the publishers) on CCH ARIZONA TAX REPORT, published by Commerce Clearing House, Inc., Chicago 30, Ill., copyright 1956. It is designed to give a quick picture of the major taxes in the State. It should *not* be used as a substitute for the actual tax laws of the State of Arizona.

THE ARIZONA TAX DOLLAR



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For additional information write to:
State of Arizona Development Board
1500 W. Jefferson Street
Phoenix, Arizona

TITLE & CITATION	BASIS-MEASURE	RATES	REPORTS & PAYMENT
Corporate or Organization & Qualifications fees.	Filing fees only.	<p>Except as otherwise provided by law the Corporation Commission shall charge and collect in advance, and thereafter turn into the State Treasury, the following fees:</p> <p>(a) Filing articles of incorporation of domestic and foreign corporation <u>not for profit, ten dollars</u>. Filing articles of incorporation of domestic corporations, <u>twenty-five dollars</u>. Filing certified copies of articles of incorporation and all amendments thereto date of filing, or restated articles of incorporation (if restated articles are provided for in the state in which the corporation is domiciled), of foreign corporations, <u>fifty dollars</u>.</p> <p>(b) Filing amendment to articles of incorporation or restated articles which include such amendment, <u>ten dollars</u>.</p> <p>(c) Issuing certificate of incorporation of domestic corporations, <u>ten dollars</u>.</p> <p>(d) Issuing license to do business of foreign corporations, <u>ten dollars</u>.</p> <p>(e) Filing appointment of statutory agent, <u>five dollars</u>.</p> <p>(f) Filing resignation or revocation of statutory agent, <u>one dollar</u>.</p> <p>(g) Filing resolution of renewal of corporate existence, <u>five dollars</u>.</p> <p>(h) Filing resolution of dissolution of corporate existence, <u>ten dollars</u>.</p> <p>(i) Filing notice of withdrawal of foreign corporations, <u>ten dollars</u>.</p> <p>(j) Issuing certificate of good standing or certificate of compliance of corporations, <u>five dollars</u>.</p> <p>(k) Filing agreement of merger or consolidation of corporations, <u>ten dollars</u>.</p> <p>(l) Affixing seal and certificate to copy, <u>two dollars</u>.</p> <p>(m) Acceptance by the Corporation Commission of copies of process sought to be served on a corporation, <u>five dollars</u> for each service.</p> <p>(n) Copy or reproduction of documents on file at fees to be established from time to time by the commission but in no case less than <u>twenty cents per folio; sixty cents a sheet</u>.</p> <p>(o) Checking each corporation record and answering inquiry as to corporate existence, names and addresses of officers and statutory agent, <u>one dollar</u> to non-residents, and no charge to residents of this state.</p> <p>(p) Filing any document for which specific fees have not been fixed, <u>one dollar</u>.</p> <p>(q) Filing affidavit of publication required by law, no charge.</p> <p>(r) Filing reservation of corporate name for use of corporation to be organized under laws of this state for a period not to exceed sixty days, <u>five dollars</u>.</p> <p>(s) Filing annual report of domestic and foreign corporations, <u>twenty-five dollars</u>.</p> <p>(t) Reinstatement of domestic or foreign corporations where certificate of incorporation or license has been revoked, <u>twenty-five dollars</u> plus accumulated fees and penalties.</p>	Domestic-fee paid at time of incorporation to Corporation Commission. Foreign-fee paid at time of qualification to Corporation Commission.

TITLE & CITATION BASIS-MEASURE

Corporation Annual Filing Fee. Flat rate

General Income Tax (Withholding) Net income tax - resident and non resident individual and corporation.

TAXABLE INCOME

Taxable income is gross income (in the broad sense as pointed out in the Arizona Revised Statutes) minus deductions allowed by law. Such deductions generally are the expenses, other than those capital in nature, which are connected with the production of income. In addition, the law also allows an individual to take some deductions from adjusted gross income in arriving at taxable income. These are interest, taxes, charitable contributions, personal exemptions, etc.

OTHER SPECIAL FEATURED DEDUCTIONS IN ARRIVING AT TAXABLE INCOME INCLUDE:

- Federal Income Taxes
- Dividends from Arizona Corporations

EXEMPT INCOME ALSO INCLUDES:

Interest upon the obligations of this state or any political subdivision thereof or the obligations of the United States or its possessions.

General Property Tax Full cash value of real property and tangible personal property. In practice property is valued* at a fraction of full value. Machinery and equipment used in manufactory valued at 50% of book value but not less than 10% of cost.

*Averages approximately 20% to 35% of full value.

RATES

\$25.00 Annually

Exemptions:

Married or head of house, \$2,000; single \$1,000; dependent, \$600; blind taxpayer, \$500; blind spouse, (no income) \$500; estate \$1,000; trust \$100 (more if tax under \$1).

Corporation Rates Individual Rates

1st \$1000--1%	1st \$1000--1%
2nd 1000--2%	2nd 1000--1½%
3rd 1000--2½%	3rd 1000--2%
4th 1000--3%	4th 1000--2½%
5th 1000--3½%	5th 1000--3%
6th 1000--4½%	6th 1000--3½%
Over 6th 1000--5%	7th 1000--4%
	Over 7th 1000--4½%

Sum of state, county and municipal rates fixed to meet budget. Municipal levies may not exceed 3/4 of 1% of assessed value.

REPORTS & PAYMENT

Corporations may choose own fiscal date. Reports due on or before the 15th day of the 4th month. If unable to file report within period, request from Corporation Commission an extension not to exceed 6 months in which to make annual report. Request must be accompanied by annual registration fee. Penalty of 20% for each month or fraction thereof for overdue report.

Reports to Tax Commission by April 15th or 15th day of 4th month after fiscal year. Information returns on date set by State Tax Commission. Withholding before February 16. Also quarterly with payments. Payments to Tax Commission. Individual When filed may pay 1/3 with filing of return, 1/3 4 months after due date, remaining 8 months after due date.

Corporations 1/2 on due date of return, remaining 1/2 2 months after due date.

Returns general property - between 1st Monday in January and April 30 to County Assessors; mines - between January 1 and April 1; railroads and telephone and telegraph companies - 1st Monday in June to State Tax Commission.

Payments 1/2 between 1st Monday in September & 1st Monday in November, 1/2 between 1st Monday in March & 1st Monday in May.

Payments to County Treasurer.

LAW PERTAINING TO ASSESSING MANUFACTURER'S INVENTORIES

1. No tax shall be levied on raw or unfinished materials, unassembled parts, work in process or finished products, constituting the inventory of a manufacturer or manufacturing establishment located within the state, and principally engaged in the fabrication, production and manufacture of products, wares and articles for use from raw or prepared materials, imparting thereto new forms, qualities, properties and combinations, which materials, parts; work in process or finished products are not consigned or billed to another party.

SECTION 1. Basis of valuation for assessment of machinery and equipment of manufactories. The machinery and equipment used exclusively in the operation and maintenance of any manufactory located within the state shall be assessed for tax purposes at fifty per cent of the book value of such machinery and equipment. The term "BOOK VALUE" as used in this Act shall mean the cost of machinery and equipment, plus capitalized installation. Less a reasonable allowance for depreciation, which in no event shall exceed twenty per cent (20%) in any one year. Provided that under no circumstances shall machinery and equipment be assessed at less than ten percent of cost, plus capitalized installation.

SECTION 2. Definition of Manufactory. A manufactory is defined as an establishment principally engaged in the fabrication, production, and manufacture of products, wares, and articles for use from raw or prepared materials, imparting to such materials new forms, qualities, properties and combinations. This definition shall not be interpreted to include the following businesses, but the listing of such businesses herein shall not limit the businesses which are otherwise excluded from the operation of this Act by such definitions.

1. Mining
2. Quarrying
3. Smelting
4. Production of Oil
5. Natural Gas
6. Limestone
7. Sand
8. Gravel
9. Copper
10. Gold
11. Silver
12. Other mineral products
13. Compound or combination of mineral products
14. Lumbering
15. Preparing timber for commercial use
16. Furnishing electricity
17. Gas - natural or artificial
18. Water
19. Transmitting telephone calls
20. Transmitting telegraph messages
21. Publication of Directories
22. Publication of Newspapers
23. Publication of Magazines
24. Operating pipe lines
25. Job Printing .
26. Engraving
27. Embossing and copying
28. Bill Board advertising
29. Direct mail advertising
30. Radio or any other advertising
31. Slaughtering animals for food
32. Meat packing
33. Meat processing
34. Compounding meat or meat products
35. Contracting

TITLE & CITATION	BASIS-MEASURE	RATES	REPORTS & PAYMENT
Transaction privilege tax. (commonly referred to as a sales tax)	<p>Gross proceeds of sales or gross income from certain occupations.</p> <p><u>Exemptions</u> After June 30, 1956, this sales tax shall not apply to sales made directly:</p> <p>(a) To the United States government, its departments or agencies, by a manufacturer, modifier, assembler or repairer.</p> <p>(b) To a manufacturer, modifier, assembler or repairer, when such sales are of any ingredient or component part of products sold directly to the United States government, its departments or agencies, by the manufacturer. Sales to a manufacturer, modifier, assembler or repairer of tangible personal property which is used or consumed in their operations and not resold are subject to the tax.</p> <p>(c) After June 30, 1956, there shall be deducted from the annual privilege tax fifty per cent of the amount of tax levied under the provisions of subsection (c) of Section 73-1303, Arizona Code of 1939, upon any sale of tangible personal property made directly to the United States government, its departments or agencies, which is not exempt under the provisions of subsection (b) of this section.</p>	<p>Contractor, transportation by motor vehicle, mining and lumbering, utilities, pipelines, publishers, printers, advertising, restaurants - 1½%.</p> <p>Meat packing, stock feed - 3/8 of 1%.</p> <p>Retail sales, theatres and amusements, hotels, storage, 3%.*</p>	<p>On or before the 15th day of each month to State Tax Commission.</p> <p>Due on the 15th.</p> <p>Delinquent on the 20th.</p>
For the purpose of the above:			
<ol style="list-style-type: none"> 1. "Manufacturer" means one who is principally engaged in the fabrication, production, or manufacture of products, wares, or articles for use from raw or prepared materials, imparting to such materials new forms, qualities, properties and combinations. 2. "Modifier" means one who reworks, changes or adds to products, wares or articles of manufacture. 3. "Assembler" means one who unites or combines products, wares or articles of manufacture so as to produce a change in form of substance without changing or altering the component parts. 4. "Repairer" means one who restores or renews products, wares or articles of manufacture. 			

* On July 1, 1959, Arizona increased its sales tax from 2% to 3%. This 1% increase, however, is applied directly to the school districts and has had the overall effect of decreasing the average property tax rate.

TITLE & CITATION BASIS-MEASURE

RATES

REPORTS & PAYMENT

Private Car
Companies Tax.

Full cash value of property used in inter-state and intra-state business. (Also taxed on gross income.)

Equal to average rate of levy for all purposes in the several taxing districts of the state for the current year.

Report June 30 to September 1st to State Tax Commission. Payment 3rd Monday in December to State Tax Commission.

Carriers Tax.

Gross receipt from operators within state; also part of receipts from interstate business according to proportion of state mileage to whole mileage.

Property Carriers 2-1/2%.
Passenger Carriers 2-1/4%.

Payment On or before 20th day of each month for preceding calendar month to Division of Motor Vehicles.

Motor Vehicle
Registration.

All vehicles-flat rate.
Commercial vehicles, an additional fee based on unladen weight, number of axles and whether or not equipped with solid tires.
Dealers-flat rate.
Operators and chauffeurs licenses-flat rate fees.

All vehicles \$4.00.
Dealers Plates \$25.50 for 1st two sets and \$5.00 per additional set.
Operators & chauffeurs - licenses and permit fees. An annual tax is imposed on motor vehicles registered for operation on the highways in lieu of property taxes. The tax is at a rate equal to the average ad valorem rate for all purposes in the several taxing districts of the state for the preceding year. The tax rate is \$4.00 on each \$100 of assessed valuation based on manufacturers list price.

Registration January 1st; upon purchase of new vehicle; on transfer of out of state vehicle registered or not in foreign state into Arizona by Arizona residents. Made at County Assessors on forms supplied by Division of Motor Vehicles.
Payment On date of issuance.

Gasoline Tax.

Gallons of motor fuel imported, manufactured, processed or possessed.

5¢ per gallon.

Payment On or before 25th day of each month for preceding calendar month to Division of Motor Vehicles.

Use Fuel Tax.

Gallons of fuel used to propel motor vehicles on the highways except such fuel as is subject to the motor fuel tax.

5¢ per gallon.

Payment On or before 20th day of each month for preceding calendar month to Division of Motor Vehicles.

TITLE & CITATION	BASIS-MEASURE	RATES	REPORTS & PAYMENT
Cigarette and Tobacco Tax.	Quantity, weight and retail price of cigars, cigarettes, smoking, chewing and plug tobacco, and snuff sold within the state.	<u>Cigarettes</u> 2¢ on each 20. <u>Cigars</u> 2¢ on each 20 small cigars, or fraction thereof, weighing 3 lbs. or less per 1,000, other cigars 1¢ on each 3 retailing for 5¢ each or less and 1¢ on each retailing for more than 5¢. <u>Smoking and Chewing tobacco</u> and <u>snuff</u> 1¢ per oz. <u>Plug tobacco</u> 1/4¢ per oz.	<u>Reports</u> Retailers reports filed with State Tax Commission within 48 hrs. after receipt of unstamped merchandise. <u>Payment</u> By affixing stamps prior to sale.
Alcoholic Beverage Tax.	<u>Licenses</u> Flat rate according to class of business and type of liquor. <u>Excise</u> Spirituous, vinous and malt liquors and extracts sold at wholesale.	<u>Licenses</u> \$25 to \$350. Original application fee \$50 to \$100. <u>Excise</u> Spirituous liquor \$1.20 per gal., vinous liquor to and including 24% alcohol 4-1/2¢ per 16 ozs., over 24% alcohol 7-1/2¢ per 8 ozs., malt liquor 7-1/2¢ per gal., malt extracts 15¢ per lb.	<u>Payment</u> of license fees to Dept. of Liquor License and Control. Wholesalers tax payments to State Tax Commission Luxury Tax Division due on 10th day of each month.
Insurance Companies Tax.	Gross premiums less cancellations, return premiums, dividends, and amounts received as reinsurance. Surplus lines tax on agents gross premiums less return premiums.	2% on foreign insurers.* 1% on domestic insurers. Surplus lines tax 3%.	March 31 to Directors of Insurance. Surplus lines tax reports April 1; payment April 1.
Public Utilities Tax.	Gross operating revenue of electric, gas, telephone and water corporations, derived from intrastate operations.	1/10 of 1% up to \$250,000. 2/10 of 1% over \$250,000.	<u>Reports</u> April 15 to Corporation Commission. <u>Payment</u> Within 15 days from date of notice.
Commercial Scheduled Air Carriers.	Full cash value of all flight property operated in this state in air commerce.	Equal to average rate of levy for all purposes in the several taxing districts of the state for the current year.	<u>Report</u> July 1 to State Tax Commission. <u>Payment</u> 3rd Monday in December to State Tax Commission.
Express Companies Tax.	Gross proceeds of sales or gross income from certain occupations.	6% of gross receipts.	Returns between June 30 and September 1 to State Tax Commission.

*Subject to retaliatory tax.

TITLE & CITATION	BASIC-MEASURE	RATES	REPORTS & PAYMENT
Unemployment Insurance Tax.	First \$3,000 of wages paid to each employee.	<u>Employers</u> 0.5% to 2.7% under experience rating subject to adjustment if balance in fund does not satisfy certain requirements, standard rate, 2.7%. Employees - None. (Arizona Average 1.26%.)	Quantity on last day of the month following quarter to Employment Security Commission.
Use Tax of 1955 (Effective 7-1-56)	Storage, use or consumption of tangible personal property purchased from a retailer. It is presumed that tangible personal property purchased by any person and brought into this state is purchased for storage, use or consumption in this state. Any person who uses, stores or consumes any tangible personal property upon which tax has not been collected by a registered retailer shall pay such tax. <u>Exemptions</u> Tangible personal property, the gross proceeds from the sale of which are required to be included in the excise revenue act of 1935 (commonly referred to as the 3% sales tax); when the sale or use of such property has already been subjected to an excise tax of an equal or greater amount by another state; when storage, use or consumption of such tax is forbidden by federal law; when such property becomes an ingredient or component part of a manufactured, fabricated or processed commodity for sale in the regular course of business; sale and distribution of motor vehicle fuel already subject to state tax; when such property is sold to a licensed contractor, holding a privilege tax license, and is sold, incorporated or fabricated into any structure or development in fulfillment of a contract; when such property is intended for and incorporated in a building, road, street, bridge or other structure contracted in lump sum prior to the effective date of this act (7-1-56); when such property was not available from an established place of business within the state; when such property is used, stored or consumed in the state exclusively for or by religious or charitable organizations or institutions; when such property is brought into the state by a nonresident for his own storage, use or consumption while temporarily within the state, unless such property is used in conducting a business within the state; livestock, poultry feed, feed and supplies, not including equipment, for use or consumption in the business of farming, ranching and feeding of livestock or poultry; when such property does not exceed \$200.00 in any one month purchased by an individual at retail outside the United States for his personal use and enjoyment.	3% of sales or purchase price. *	Reports and Payment on or before the 15th of the month to the <u>Tax Commission</u> .

* On July 1, 1959, Arizona increased its sales tax from 2% to 3%. This 1% increase, however, is applied directly to the school districts and has had the overall effect of decreasing the average property tax rate.

TITLE & CITATION	BASIC-MEASURE	RATES	REPORTS & PAYMENT
Estate Tax	<p><u>Net Estate</u> as defined by statute signifies the difference between the total value of the gross estate and the total statutory deductions.</p> <p><u>Exemptions</u> \$100,000 on the net estate of a resident decedent.</p> <p><u>Statutory Deductions:</u> Expenses of last illness; funeral expenses and expenses incurred in administering property subject to claims: debts of decedent; net losses during administration; expenses incurred in administering property not subject to claims; bequests, etc. to surviving spouse (marital deduction). This applies only to separate property estates; charitable, public and similar gifts and bequests, specific exemption of \$100,000 for resident decedent. If non-resident decedent owns real property in Arizona, the exemption and deductions are prorated in the ratio which the Arizona estate bears to the entire estate wherever situated.</p> <p>No gift tax.</p>	<p>The rates of tax imposed by our laws are 80% of the Federal basic rates and are so designed to absorb the maximum credit allowed by the Federal Government.</p>	<p>Returns on taxable estates must be filed with the Estate Tax Department within fifteen months after death. In appraising estates, the valuation as of the date of death or the optional valuation (one year after the date of death) may be used. Interest at the rate of 6% accrues if the tax is not paid within the fifteen month period. If an extension of time for payment of the tax has been requested and granted by the Commissioner, the tax shall bear interest at the rate of 4% per annum. This department releases the contents of safe deposit boxes and all bank accounts in excess of \$5,000 standing in the names of deceased persons. Returns on non-taxable estates are reported to this department in order to obtain Waivers on real estate and stock standing in the names of deceased persons.</p> <p>Arizona is a community property state.</p>