



**HB 2551**  
**taxation; presumption regarding internet sales**

**Position: The Greater Phoenix Chamber of Commerce *supports* HB2551**

HB 2551 proposes to address a collection and enforcement of tax on items transacted through on-line sales in Arizona. Specifically, it requires an on-line only retailer with Arizona affiliates to collect and remit the Use Tax on sales transactions between the affiliates and customers located in Arizona. The bill would apply to companies such as Amazon.com, where they link an Arizona business with an Arizona consumer.

**Background:**

The Arizona Department of Revenue defines “sales tax” with the distinction of two individual taxes. One is the Transaction Privilege Tax (TPT) which is a tax on the privilege of doing business in Arizona and is measured by the amount of tangible personal property purchased by any in-state vendor. The second, is the Use Tax which is a tax placed on any tangible personal property bought from an out-of-state vendor for use or consumption in-state, but where there has not been any tax paid on the transaction. The liability for the Use Tax is on the consumer unless there is “connection” required to exist between the State and a potential taxpayer such that the State has the right to impose a tax. This “connection” is defined as the “Nexus”. If it’s determined there is a Nexus established in the transaction, the liability for the Use Tax is placed on the vendor.

The original provisions of HB 2551 propose the following:

- Addresses a collection and enforcement issue relevant to sales of on-line tangible personal property in the state of Arizona.
- Requires the on-line only retailer with affiliates in Arizona, to collect and remit the Use Tax on sales to Arizona purchasers.
- Levels the tax policy playing field on retailers in Arizona resulting in a tax on tangible personal property whether it is purchased from a brick and mortar retailer, an out-of-state retailer or an online only retailer.
- Establishes a rebuttal provision for businesses in Arizona who, upon providing proof the Arizona resident conducting the transaction has not engaged in solicitation, would satisfy the Nexus requirements from the preceding 12 months.

**Amendments:**

Committee on Commerce

- Changes the threshold for a seller and its affiliates from \$10,000 gross proceeds or gross income from sales to \$120,000 taxable gross income or taxable gross proceeds from all sales annually.