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LEAGUE PROPOSES STATUTORY LANGUAGE FOR DIGITAL GOODS TRANSACTIONS

PHOENIX – The League of Arizona Cities and Towns released a compromise amendment on the taxation of digital goods and services that provides clarity in the law but protects scarce resources for state and local governments and school districts.

The amendment codifies longstanding policy by the state and local governments regarding digital goods, ensuring they are subject to the state’s transaction privilege tax. This provides businesses with clarity about when they should collect taxes from customers and remit them to the government.

“While current state law provides for the collection of sales tax on digital transactions, this amendment provides the state with clear direction and express authority to collect the taxes,” League Executive Director Ken Strobeck said. “The League worked collaboratively with legislators and other stakeholders to create a bill that provides clarity when it comes to emerging technologies but doesn’t create a dire fiscal impact.”

The amendment adds definitions for prewritten computer software, specified digital goods and other digital services. The amendment satisfies the recommendations of the Legislature’s Tax Treatment of Digital Goods and Services ad hoc committee from last year. The amendment to HB 2479 is designed to be revenue-neutral for the state, municipalities and schools. As originally drafted, the underlying bill would have cost cities and towns an estimated \$48 million plus another \$120 million to the state. Classrooms would have lost \$14.5 million in Proposition 301 funds.

Strobeck said the League will work proactively with legislators to move the bill in the coming weeks.

“By collaborating with lawmakers, we crafted a bill that provides certainty for businesses and this emerging technology without harming the state, schools and all 91 cities and towns,” he said.

The specific language can be found [here](#).

About the League:

The League of Arizona Cities and Towns is a voluntary association of all the 91 incorporated cities and towns in the state of Arizona. It provides policy and legislative advocacy, information and inquiry services, along with publications and educational programs to strengthen the quality and efficiency of municipal government. It was founded in 1937 to serve the interests of cities and towns and to preserve the principles of home rule and local determination. For more information, visit www.azleague.org.

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