
SUBMITTED BY:	Alejandro Martinez, Finance Director
MANAGEMENT TEAM REVIEW:	Luis Pedroza, Deputy City Manager/City Treasurer
FOCUS AREA:	Other / NA
ORGANIZATIONAL IMPROVEMENTS:	Compliance
SUBJECT:	RESOLUTION NO. 23-1574 , a Resolution of the Mayor and Council of the City of Douglas, Cochise County, Arizona, AUTHORIZING the CITY MANAGER to EXECUTE an INTERGOVERNMENTAL AGREEMENT between the City of Douglas and the State of Arizona Department of Revenue for the administration, collection, audit, and licensing of transaction privilege taxes, use taxes, severance taxes, jet fuel excise and use taxes and rental occupancy taxes imposed by the state, cities or towns.

EXECUTIVE SUMMARY:

An intergovernmental agreement between the State of Arizona Department of Revenue and the City of Douglas that establishes the framework for collaboration between the two entities for every aspect of transaction privilege tax (TPT) administration.

BACKGROUND:

This intergovernmental agreement (the 2023 IGA) was negotiated with the Department of Revenue (DOR) and the Attorney General's office by the City Tax Administrators Council (CTAC) Rulings Group, which includes the League of Arizona Cities and Towns, with the assistance of several city attorneys and a multitude of tax and IT experts from many municipalities.

Local Transaction Privilege Tax (TPT) administration is governed by A.R.S. § 42-6001. This statute requires the Arizona Department of Revenue (DOR) to administer the transaction privilege and use taxes imposed by all cities and towns and to enter into an intergovernmental agreement (IGA) with each city and town to clearly define the working relationship between the DOR and Arizona cities and towns.

This IGA provides the principles, requirements, and responsibilities of both the city and the department, and it defines many specific operational processes related to tax collection, the protection of taxpayer confidentiality, and information security.

The 2023 IGA replaces the 2019 and represents a complete rewrite of the prior agreement. Great emphasis was placed on improving the thoroughness and consistency of the agreement as well as minimizing the need to look through multiple sections to answer a single question or resolve a specific issue.

This is a high-level summary of the most notable changes compared to the 2019 IGA:

- The new IGA adds or clarifies the definitions of various terms including City Services, Collection, Development Fees, Options Chart, Primary Point of Contact (PPOC), Profile, Independent Contractor, State Tax, Tax Information, Authorized Access Lists, and Qualified Recipients of Information, and all defined terms are now capitalized throughout the agreement for easy recognition.
- Taxpayer confidentiality measures have been significantly strengthened, placing additional emphasis on the protection of Tax Information provided under Arizona statutes, and refining the details surrounding authorized access, disclosure restrictions, and remedies for improper disclosure such as the possible suspension of Tax Information sharing.

- New procedures have been established for both the cities and the department to regularly maintain the Authorized Access Lists that control access to detailed taxpayer information, including clarifying confidentiality training requirements and adding that all responsibilities and restrictions apply to Independent Contractors in the same manner as they apply to regular employees.
- The new IGA addresses the developing scope of city assistance offered to the department with the addition of delinquent tax collection activities and new collections reports along with new language that covers cities assisting with reviews of selected refund claims. In addition to the services that have long been provided by city and town auditors, these new areas expand the ways that the city can partner with the department, leveraging personnel to help the DOR achieve more efficient operations.
- The 2023 IGA also provides new or improved coverage for several miscellaneous topics including the City/Town's responsibility for reviewing its City Profile and the Model City Tax Code website; workers' compensation issues when sharing office space with other jurisdictions; the expiration, termination, or amendment of the Agreement; and the disclosure of aggregated financial information.

Finally, this version rewrote much of Appendix A regarding the handling and protection of confidential taxpayer information. Changes were made to identify retention requirements and authorized disposal methods, critical information security protocols, and various software system requirements that cities and towns must follow to protect any confidential taxpayer data stored on their computer systems.

DISCUSSION:

Staff recommends approval.

FISCAL IMPACT:

This agreement will not result in any budgetary impact to the city.

Fiscal Year: 2024

Budgeted: N/A

“...I MOVE THAT THE MAYOR AND COUNCIL APPROVE RESOLUTION NO. 23-1574.”