

- Date submitted: (mm,dd,yyyy) 11/09/2021
- Submitter's name: Josh Graham
- Representing organization name or city name, if applicable: Whitley Penn, LLP
- Model City Tax Code Section or Regulation to amend: add exemption under Section Number 450 for “application Services”.
- Benefits of the suggested amendment: Schools that use application services.
- Additional notes, if applicable: The application services exemption is located under Section Number 465 but not Section Number 450. A.R.S. 42-5071(B)(2)(a) points to the exemption under A.R.S 42-5061(a)(53). According to the AZ DOR my client provides application services on a rental basis (periodic payments). This exemption would not be applicable under Section Number 450. An addition to include application services as exempt under Section Number 450 is requested.

I'm assisting a client that would like to have a proposed amendment to the MCTC. They sell “application services” to school districts within Arizona. According to the Arizona Statutes the use of the software (SaaS) is considered taxable under the personal property rental classification. The rental of application services is exempt under A.R.S. 42-5071(B) (2)(a) that points to the exemption under A.R.S. 42-5061(a)(53). The MCTC Section Number 465 exempts the retail sales for these “application services” but does not exempt it under Section Number 450 rental of tangible personal property.

We would like the Commission to review this language and exempt sellers that provide application services to school districts in Arizona.